
BUSINESS MANAGEMENT

Executive Manuals 17 and 18

ESSENTIALS OF SALES MANAGEMENT — Being Executive Manual 17, on Selling and Sales Management, in a Complete Plan of Train- ing and Service for Executive Work

*Investigated, organized, and presented by
the research, consultation, and editorial
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the advice and co-operation of

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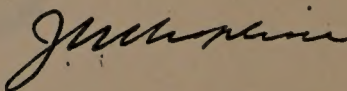
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ESSENTIALS OF SALES MANAGEMENT

Part I

THE MANAGEMENT OF SALES

AN IMPORTANT principle that may be applied in developing an efficient organization in any business is embodied in the idea of having every worker look upon himself as a salesman. Here is this idea, stated as a principle:

The efficiency of every worker is increased by the application of the spirit of salesmanship to his work—that is, the spirit of rendering good service to customers.

One requirement in developing ability to apply this principle is a thoro understanding of the basic principles of efficient salesmanship. This, in fact, is required in all successful management, whether of production, finance, office, or sales; for a manager must not only develop sound ideas, but must also be able to have those ideas carried out effectually by his men, which depends upon the proper “sale” of his ideas to his men. We shall cover the essential principles of salesmanship in Executive Manual 20.

Let us remember that the principles of salesmanship, and of efficient sales management, as developed in this part of our plan of training, are a vital requirement in all successful management as well as in the management of sales.

Let us remember that salesmen and particularly sales managers should know more than the principles of salesmanship. When their understanding and practice of salesmanship or of sales management is reinforced with a broad and thoro grasp of the basic principles that

underlie successful business practice as a whole, they are then, and then only, equipped for doing their best as salesmen or as sales managers. This is true in every line of business. It has been true of the many salesmen and sales managers who have worked their way up into greater business responsibilities.

The Sales Manager Must Know Business Principles. There is general agreement among presidents and general managers of business concerns that one essential requirement in sales management is a thoro grasp of the principles of successful business management as a whole. While this requirement applies with particular force in all cases where the sales manager's market (his customers and prospective buyers) is composed of business men, it also applies in managing sales direct to housewives or to others who are not in business. For, in either case, sales management must be able to work in close and intelligent co-operation with other departments in the business.

A sales manager can get and give better co-operation when he knows the problems faced in other departments and the essential principles applied in solving them.

This matter of interdepartmental co-operation was emphasized when we first considered the viewpoint and problems of sales management in Executive Manual 5. The sales manager who understands the place, functions, aims, policies, and methods of other departments in the business, and has a good grasp of the principles applied in efficient management of those other departments, is well equipped to handle his problem of getting from those other departments the kind of service to customers that helps so greatly in getting the best sales volume at the least cost of selling. Let us remember that—

Inefficient work almost anywhere in any organization radiates itself out into the market, causing greater resistance against sales.

It is obvious that imperfections in a product or service as delivered to customers increase the burden of the sales department; but even clerical errors, apparently far removed from customer contact, are, in the aggregate, a serious drag on sales effort, especially so when price competition is keen. Furthermore, poor work anywhere in the business increases the cost, and lessens the income from sales available, if desired, for use in financing the selling effort. It may force a higher price or cut down net profit.

WHAT DOES SALES MANAGEMENT COVER?

As in the case of all other departments, sales management is interested in the success of the entire business as indicated by net earnings from year to year. More sales at a lower cost of selling is the chief objective of the sales department. But the sales manager can go further; he can help make "every man a salesman." He can help imbue every one in each department with a keen sense of responsibility in both satisfying and pleasing customers upon whom the business depends for its income.

Wherever you find an organization wherein even the rank and file of workers appear to realize their responsibility to the customers of the house, wherein the use of good selling sense is not entirely confined to the salesmen on the road, there you are sure to find an efficient and loyal group of workers.

Loyalty to the idea of good service to customers by means of careful and conscientious handling of orders, inspection of products, extension of credit, and so on, is the most intelligent kind of loyalty to the house.

It is within the range of the sales manager's functions to help develop the sales viewpoint in the minds and hearts of every part of a business organization. He usually does this by working with and thru the heads of other departments. Who in an organization is fitted

to direct the injection of the spirit of salesmanship thru-out an organization if it is not the sales manager?

Sales Management and Management of Sales. In getting a good grasp of the principles which apply in solving the sales problem, it will help us at the start to distinguish "sales management" from the "management of sales."

"Sales management" ordinarily means the management of a corps of salesmen at work in the field; while the "management of sales" is a term of broader meaning, taking in all the varied activities employed in making sales, such as advertising, sales correspondence, and other sales promotional activities, as well as managing salesmen.

In this and the two following executive manuals, we shall study the sales problem primarily from the viewpoint of the management of sales rather than from the viewpoint of sales management. This will give us a broad background and viewpoint for definite training in selling and sales management, as covered in Executive Manuals 19 to 24, inclusive, where a great deal of attention will be given to the organization, training, and direction of a force of salesmen. Then, beginning with Executive Manual 25 and continuing thru Executive Manual 32, we shall give our whole attention to the problem of advertising management and to marketing and merchandising in relation to advertising.

The whole field embraced in the management of sales will be covered in the manuals on Selling and Sales Management, on Advertising and Marketing, and on Business Correspondence. In other words, the problem of getting the best volume of sales at the least cost of selling will be completely presented in this course; for this problem is so broad and of such great importance in modern business management that it requires a number of manuals to cover all of it.

Analysis of the Management of Sales. Following is an

analysis of the main divisions in the whole problem of the management of sales:

1. **General Sales Management.** Responsible for effective organization and co-ordination of all selling activities employed in the business; also largely responsible for maintaining close and effective co-operation and co-ordination of sales activities with credit, production, finance, and other departments.
2. **Sales Management.** Directly responsible for the activities of the force of salesmen.
3. **Advertising Management.** Directly responsible for the effective use of all forms of advertising employed in the business.

(In some organizations, a department of publicity includes all advertising, as well as the preparation of a house organ to employes; and in some large department stores publicity combines the functions of sales and advertising management.)

4. **Sales Promotion Management.** A relatively new form of managerial specialization, which embraces many kinds of sales activities, such as sales correspondence and direct mail advertising, which are not clear-cut responsibilities of either the second or the third division above. (This fourth division in the management of sales is fully explained in Executive Manual 23.)
5. **Marketing.** A term now widely employed to include those problems that pertain to the steps taken by goods in their trip from producer to consumer. Management of sales is to-day interested in finding out how products can be marketed at the least cost of distribution from producer to consumer. Research work employed in solving this problem is, in many cases, delegated to sales promotion management.

Such are the five main divisions in the management of sales. They are not all found in every business, altho many large concerns have complete divisions of managerial responsibilities in handling their sales problem. Some concerns, however, employ salesmen, with very little, if any, advertising; others utilize advertising, catalogs, letters, and various kinds of printed matter, and do not use salesmen; while many use both advertising and salesmen,

with sales promotion designed primarily to secure good teamwork between advertising and selling.

A Basic Function of the Management of Sales. Here at the beginning of our study of selling and sales management, we are primarily interested in the broad functions and problems of the management of sales as a whole; and we want to get at the principles which apply in solving every sales problem, whatever the kind or size of business.

Whether selling activities in any business are many or few, whether they have a direct or an indirect influence on sales, the management of sales covers the whole range of them. Because there are so many activities that indirectly affect sales, we may lay down a principle that applies in every business:

When all of the many activities in a business that indirectly influence sales—even including the sales influence that arises from good work by shop hands, for example—are handled by the workers with appreciation of this influence, then all the direct sales activities are more resultful.

It is a basic function in the management of sales, as we have noticed, to see to it—in so far as possible without usurping authority of other department heads—that all conditions within the business are favorable to securing the best volume of sales at the least cost of selling. General sales managers (those who are charged with responsibilities for sales as a whole) are usually sensitive to and critical of inefficiency in other departments; they realize their own responsibility in helping to promote efficiency elsewhere in the business; they recognize their position as the fountainhead for the injection of selling sense thruout the organization as a whole.

Selling sense (which cherishes the good will of customers and is expressed in efforts to give them good service), when it permeates the whole of a business organization, is a prime cause of effective co-operation between departments and workers. It is a fundamental cause of

individual efficiency on the part of every worker who has it. What constitutes good selling sense will be taken up again later on.

A few of the many activities in business that indirectly affect sales are:

1. The writing of good-will-building letters to customers and prospects.
2. Courteous and quick service given in response to telephone calls.
3. Keeping all promises made—such as those relating to delivery, packing, adjustments, etc.
4. Fairly adjusting all complaints.
5. Showing real interest in the welfare of customers.
6. Building up a reputation for fairness to employes.
7. Having all employes who, as consumers, come in contact with their firm's product on the market, to report their observation and experience.

The Great Problem of Sales Management. The great problem of the sales manager, in the many organizations that employ salesmen, concerns the development and direction of his individual salesmen; and it is the right solution of this problem—how a sales manager can get the best work out of his sales force—that will constitute the major part of our training in this highly specialized phase of the management of sales.

Salesmen, being more or less individualistic (not to say temperamental) and full of self-confidence and initiative, require the exercise of fairness and the application of sound human judgment in the man who would successfully direct them in their work. His judgment must be based upon the fundamental principles that underlie the managing of men. He must understand the motives in human nature that cause people to act; he must be a student of applied psychology, as covered earlier in this

course. He must be a student of economic fundamentals as applied in keeping his finger on the pulse of his markets; he must know his market, as set forth in the second part of this executive manual, if he would effectively direct the work of his men in that market. He must know the true principles of effective salesmanship—the reasons why, for instance, that the need for a product, its uses and results, should be talked about in many cases before demonstrating the product itself; and how to get the prospective buyer, first of all, willing to listen and in a frame of mind to co-operate with the salesmen in making the sale.

Efficient handling of salesmen requires knowledge of the product or service in relation to the market; it requires knowledge of the house and the “cause” for which the house stands. Furthermore, the right solution of the problem of getting salesmen to make sales at a low cost of selling depends upon having the right organization of all sales activities in the business, including written or printed forms of salesmanship (advertising and sales promotion in its various forms—the use of sales letters, catalogs, booklets, etc.), as well as the right organization of the selling force in the field.

Sales managers, whether or not their responsibility for sales is complete or is shared by an advertising manager and perhaps by a sales promotion manager, are interested in all activities that influence customers and prospective customers to buy the products, or the service, of the house. This broad interest of sales management will be kept in mind as we develop the fundamental principles involved in the right handling of the sales problem.

First of all, let us get a good idea of why and how sales managers analyze and study their markets, and how they make use of essential market information, as explained in following pages.

ESSENTIALS OF SALES MANAGEMENT

Part II

THE SALES MANAGER AND HIS MARKET

AS IN the case of every other man charged with the responsibility and authority of management, there are definite kinds of information that a sales manager must have. He must be fortified to meet each and every responsibility of his job. He needs to know where he is weak on facts and where strong, and to give particular attention to building up the well-balanced stock of the knowledge that underlies the work of a sales manager who is all that his title implies.

The Sales Manager Must Know His Market. Of very great importance in the sales manager's kit of knowledge is his understanding of the nature of human beings. He, foremost among business executives, must have deep insight into the basic instincts, emotions, and reasons that cause people to act as they do in response to various appeals. His work is almost entirely that of influencing people to act. He largely supplies the dynamic force and ideas in the business which, radiated out into his market thru his salesmen (or other agencies of selling), build sales. He deals with people at every turn, with his own salesmen more directly, and thru them with all the people who compose his market.

Foremost among basic kinds of knowledge required in sales management and in salesmanship, as well as in advertising and sales correspondence, is knowledge of the market.

By "market," we here mean all the buyers and prospective buyers of a product or service, wherever they may be located.

The successful sales manager knows how constantly to add to his knowledge of his market; he keeps in close

touch with important changes and developments among the several classes of buyers and prospects that make up his market; he really understands their wants, needs, desires, ambitions, aims, hopes, habits, and viewpoints. He knows the motives and the reasons that prompt consumers and distributors to buy what he has to sell, and how these motives and reasons vary in the case of different classes of customers and products. All this market information is vital to his success in directing the sales work of his organization.

Knowledge of the market helps sales management to—

- 1. Determine which classes of people can be sold to most profitably.**
- 2. Choose the right type of salesman for marketing a product or service.**
- 3. Develop effective selling appeals.**
- 4. Manufacture the right "quality" of product.**
- 5. Estimate the credit risks which can be profitably accepted.**
- 6. Prepare to meet any obstacles to sales.**
- 7. Determine the nature of competition and the ways to meet it, etc.**

It is our particular problem at this point to find out definitely what it means to know our market, how this knowledge is gained and organized and used in managing the sale of goods or services. We must keep in mind the fact that the term market here means the people to whom or by whom products or services are sold or resold, whether these people are household consumers or users in certain lines of business, or whether they are retailers, jobbers, or commission merchants, and so on. Every person or business that buys our goods or services is part of our market.

The importance of being well acquainted with the market we serve is not confined altogether to the sales

manager and his men, or to the advertising manager, or to the sales correspondents. Every executive and every worker does better work when he feels acquainted with the market served by his business—when his firm's market, to him, is not some far-off unknown quantity, but is composed of real people who are relying upon his good work for a satisfactory product and service, and whose satisfaction is the real source of income to the business out of which comes his salary, wages, or dividends.

SOURCES OF MARKET INFORMATION

The main source of market information for any business organization is naturally centered in the sales department where the most direct use of it is made. But the credit and collection department, the complaint or adjustment department, the shipping department, and other departments of the business have their special kinds of market information coming in all the time. The sales manager can find out a great deal about his markets from these inside sources; they are an important supplementary source of market facts. But the market information he gains in this way is a very small part of the mass of facts concerning his market that must come to him from his salesmen's reports; from customers who come into the house to buy; from special investigations of market conditions, made, perhaps, by trained observers; from his personal trips out in the field; and from many other direct sources of information.

In every feasible way, an efficient sales manager adds to his store of useful information about all his customers and prospects.

One successful sales manager said, "I live, move, and have my being out in the market." He did not mean that he was away from his office and out in the market nearly all the time; but he meant that he kept in such close touch with his customers and prospects by constantly getting in so much real information about them that he could, in imagination, be "out among them" in a

realistic way all the time. He and his markets were inseparable. His customers and prospects were all just about as real people to him as they were to his men who were calling upon them every day.

The Value of Seeing and Talking with Your Market. Sales managers in various lines of business agree that this attitude of being actually right out in the market face to face with customers and prospects, altho they are sitting at their desks, is a basic cause of success in sales management. In many ways they constantly add to their power of realistically visualizing their market. They know that, among competing concerns, the one whose management is best acquainted with its market has a big advantage.

That is an important reason why many sales managers take frequent short trips out into various parts of their market.

This practice is also followed by other than sales executives. In one case, the president of a business with nearly 3,000 employes, altho he is a very busy man, still insists upon following his old custom of having short face-to-face talks with many of the customers who come into his house to buy; and he often accompanies his sales manager on short trips into small towns where his customers are located. He and his sales manager get valuable market information from these interviews. They always have in mind definite problems on which they want more light from their customers. These problems usually concern the experience and attitude of the ultimate consumers or users of their products. They feel that information concerning the final consumers of their products is the most valuable kind of market information they could get.

Sales Management Knows What Facts It Wants to Get. Modern sales management not only appreciates the great value of market information but also organizes its sources of market facts in a definite manner. A hit-or-miss

method of gathering market information will not do. The efficient sales manager knows definitely what facts he is after concerning his market; and, knowing definitely what he wants to know, he can make definite plans and arrangements for getting those facts.

The first step in gathering information for any purpose is to know the uses of the information.

Devising selling plans and methods, coaching of the men in the actual selling methods they use, appraisals of the quality of the work of individual salesmen, setting sales quotas for the men—in short, nearly every important activity of sales management is very much dependent for its efficiency upon an accurate and complete understanding of the market.

The sales manager wants to know what classes of people among all the prospective purchasers of what he sells are the ones to whom he can sell to best advantage. He does not, as a rule, want to waste the time and effort of his men by having them call on prospects to whom it might not pay to sell, relatively speaking, when there are other prospects in the territory to whom it would be easier and more profitable to sell his products or services. He wants to direct his selling effort at points where it will be most effective in producing the right volume of sales at the least cost of selling per unit of sale.

CLASSIFICATION AND SELECTION OF PROSPECTS

Thus one fundamental reason for gathering market information is its use as a means of classifying and selecting prospects on the basis of the degree of difficulty in selling the various classes; or, conversely, the degree of ease and profitability with which they can be sold.

In the case of nearly all products or services there are certain classes of prospects who are the most logical buyers.

There are certain other classes that might be called marginal buyers, who could be sold, but who do not so

definitely need (or recognize their need for) what is sold, altho, when sold, they in all probability get their money's worth.

If we were selling a complete tax-law service, for example, we would have certain classes, such as lawyers and accountants and large corporations, who need a good complete tax-law service to keep them fully informed about the law and all new rulings and decisions. But there would be other classes of prospects, such as the smaller retailers, the doctors, and the dentists, who do not really need a complete tax-law service, covering both corporation and individual tax law and procedure. These latter classes of prospects are in the margin or fringe of the market for this service. They could be sold, but they would be relatively hard to sell; and, while they would probably get their money's worth in nearly all cases, their profit in the purchase would be small as compared with the profit gained by other classes of buyers. These marginal prospects would not be called upon by a salesman except to fill in time that could not be used in calling on other prospects whom it would be easier to sell, or unless the territory is organized for intensive sales work.

Practical Classification of Prospects. The prospective buyers of nearly all products or services fall into different classes. Each class has a different kind or degree of need or desire for the product. Broadly, there are two classes or groupings of prospects, as follows:

I. BUYERS WHO USE THE PRODUCT OR SERVICE.

- (a) Those who buy for personal use, sometimes called ultimate consumers.
- (b) Those who buy for use in a business.

II. BUYERS WHO DISTRIBUTE (RESELL) THE PRODUCT OR SERVICE.

- (a) Jobbers.
- (b) Retailers.
- (c) Commission merchants, brokers, agents, etc.

The salesman or sales manager who knows Class II, but does not know Class I (the ultimate consumers or users of his product) is greatly handicapped in selling to Class II (distributors). Knowledge of Class I strengthens his knowledge of Class II.

Both of the above classes of prospects may be further analyzed for separate study according to differences in:

1. *Locality*—country or part of country in which prospects or buyers are located: on farms or in towns; large or small towns; etc.
2. *Kind of business or work*—such as the line of retail business; the type of jobber and the extent of territory he covers; the business position of the consumer, such as executive or clerk; the kind of producer, what he produces; etc.
3. *Size and credit standing*—amount of purchases and risk involved in collecting payment.
4. *When they are in the market*—how often; seasonal demand; “forward” for future delivery or immediate delivery; etc.
5. *How they buy*—small and often, or in relatively large quantities; on primarily the price or the quality basis; etc.
6. *Their intelligence*—high, average, or low.
7. *Competition*—their access to competing sources of supply; the extent of the “competition” of wants for other things against the want we can satisfy with our product.

Such are some of the practical bases commonly used in analyzing prospects. Every business faces this fundamental problem of determining a practical classification of its customers and prospective buyers, which places in one class customers or prospective buyers who have common characteristics that must be taken into consideration in adapting selling appeals to them. Certain selling appeals which influence city prospects are often ineffective when applied to small-town or rural prospects.

The most fundamental basis of classification is the extent of the prospect's real need for what is sold, whether or not this need is recognized by the prospect.

It is nearly always a mistake to try to get sales where a real need for the product does not exist; and it is often a mistake to apply selling effort where the real need for a product or service is not readily recognized by prospects so long as there are plenty of other prospective buyers who more readily recognize their need for what is being sold.

What Is Meant by Real Need? It must be borne in mind when thinking about the real need for a product or service that this need resides in the actual users or consumers of the product or service rather than among distributors, such as retailers or wholesalers. The efficient sales manager is primarily interested in his consumer market, whether or not he sells directly to those who consume his products. He needs to know his consumer market first of all, whether that market be a producer of some kind, such as manufacturers in case he is selling factory machinery or materials, or household consumers in case he is, for example, selling a food product.

The real need for a product or service resides in the final users or consumers of that product or service; and the real source of sales is always among those who finally consume what is sold.

If these final users or consumers are reached thru the resale process, as thru retailers and jobbers, the sales manager needs to know his retail and jobbing markets, and to know them well; but he cannot develop and control his distribution as effectively as he should unless he is also well acquainted with the buying habits and tastes of the people to whom his goods or services are resold.

No matter how far removed from the final market for his product are the people to whom he directly sells, the manager of sales must know his final market.

A manager of sales cannot really understand the jobber or the retailer unless he understands their markets—for their markets are in reality his markets; his sales to

them depend altogether upon their sales to their markets, where the real need for the product or service exists.

So in talking about real need, we should have in mind, primarily, final consumer or user need. For, after all, there is little real need for many products on the part of jobbers or retailers, because many products are but one of several similar products offered to meet the same consumer need, such as brands of tooth paste or perhaps of clothing.

Few, indeed, are the products or services for which there are no substitutes on the market, even including such specialties as adding and computing machines, as well as canned corn and other staple lines of merchandise. Therefore, real need for any particular article must nearly always be qualified by the fact that this need would not in all probability go begging for a product to fill it, even if the particular article being sold by a particular company were not for sale on the market. Given a real need for a particular product readily recognized by prospective buyers and no competing products for filling that need and there is no sales problem of consequence; no salesmanship is required, just order taking. But if the need is not realized or readily recognized by consumers, or if there are competing products for meeting this need, then we have a sales problem that demands skilled salesmanship and intelligent sales management.

An Important General Principle in Market Analysis. It may be laid down as a general principle that—

The greater the choice among competing products or services for filling a particular need or desire of consumers, or the less the consumers' feeling of need or desire for a product or service, the greater is the demand for keen and intelligent work on the part of the sales manager.

Even in cases where consumer need is strong and competition is weak, however, there is for that reason no excuse for laxity in sales management, for selling costs

under favorable as well as unfavorable conditions may be higher or lower in accordance with the efficiency of sales management. Furthermore, when market conditions are favorable, we usually find plenty of potential competition ready to come forth; and the amount of this potential competition that sooner or later comes to actual life is in great measure dependent upon the quality of the sales management of the concern that happens to have a monopoly for the time being in supplying a product or service to fill the need involved.

A notable case is that of the National Cash Register Company, which was first in the field to supply a real need of retailers—the need for an accurate and safe means of recording cash sales. Primarily by means of efficient selling and sales management, backed up with a product that has been improved constantly in the light of a continuous study of the need for the product and its uses, this company quickly developed and dominated its market, and discouraged the growth of competition.

Because the real need for this product was not readily recognized by many prospective buyers, especially so in the early days of the history of this company, the rapid growth of the business was almost entirely dependent upon the efficiency of its management of sales. From the very beginning of the business, good salesmanship was given a pre-eminent place among its requirements for success.

In a majority of business concerns that have grown big, the prime reason for growth can be seen in the fact that the founders of the business did not altogether depend upon the fact that a good product designed to fill a real need will sell itself. They gave intelligent attention to their sales problem.

True enough, there are some cases where relatively little salesmanship is required other than calling the attention of prospective buyers to the product or service

offered. In such cases, however, sales management has an important problem in determining the most effective methods, in relation to cost, of calling attention to their product: whether to do this by means of salesmen or advertising or sales letters, or other sales agencies, or by a combination of methods.

This problem of determining the best plan of calling the attention of prospects to a product or service also includes wise selection of the prospects whose attention is called to the product or service, with a view toward placing the product or service where it will yield the greatest profit to buyers, perhaps leaving those prospective buyers whose real need for the product is not so urgent, or so great, to be supplied later on.

But this policy of prospect selection, when employed, is governed, of course, by the expense of applying it and the nature of competition faced. That is to say, if salesmen are used, they would likely find it profitable to call not only on all good prospects (those whose profit from the purchase would be relatively great) in each town they visit, but also on some who are not rated as good. This depends, mainly, upon the added expense involved in relation to the possible addition to sales.

The Effect upon Competition. There is another angle to this problem, which, stated as a principle, is this:

Following the lines of least buying resistance during the first years in supplying a market with a new product (selling the good prospects first) tends to cause any coming competition offering a similar product to follow the lines of greater resistance to sales.

Especially in cases where repeat sales are possible, the new product must be sold and supplied in a manner that wins enough good will to the house to thwart competition in its efforts to make inroads on old customers. In addition, however, sales management must rapidly develop effective methods of selling those classes of cus-

tomers who are harder to sell, in order to keep ahead of competition in its ability to get the best sales volume at the least cost of selling.

Thus a fundamental function of sales management—the function that gives to sales management great importance as one of the major departments of business organization and operation—is its place as a means of meeting competition; and competition of one kind or another, actual or potential, is faced, to greater or less extent, by every business enterprise.

SALES MANAGEMENT'S ATTITUDE TOWARD COMPETITION

Competition has been called “the life of trade.” Certainly it is a fundamental cause of economic progress, where it is kept free and open and fair; and many Federal and state laws are directly designed to keep competition free and open and fair, as we know.

Even tho possible to do it, an intelligent manager of sales will not attempt to stifle competition by unfair means, for he knows that this practice does not pay in the long run. Effort and energy used up by sales management in pursuing unfair methods against competitors could be used to better advantage along more constructive lines. To try to stifle competition by unfair methods, as by the promulgation of lies about the goods or the house of a competitor, is a confession of weakness on the part of those who do it. Such methods have no place in efficient sales management. The aim, to-day, is to meet competition on a high plane, based mainly upon the comparative quality of the product sold, of the service given, and of the salesmanship exercised.

The Broad Meaning of Competition. The sales manager must, however, understand the nature of the competition he faces, and he should view competition in its broad meaning, as he must view all the sales resistances that must be met. From this broad point of view we can see two basic kinds of competition:

Different wants or needs felt by prospective buyers are competing with one another for satisfaction; and different firms, which sell products to meet the same or similar wants, are competing against each other.

If strong "want competition" is faced—such as competition between the want for a new or better automobile and the want for owning a home, or the want for an educational course of training and the want for other things which could be purchased with the money—then this kind of competition must be met by salesmanship that, first of all, intensifies the feeling of want or need for the kind of service or pleasure or gain of any kind that comes from having what we are selling.

Nearly all products or services face "want competition" in varying degrees. Efficient salesmen measure its strength in any case and meet it before they handle the competition of other products or services.

We can see that the sales manager who, in training his salesmen, dwells altogether upon the product itself and pays relatively little attention to the salesman's problem of effectively meeting "want competition," emphasizing only the form of competition residing in the comparative merits of two or more products as such, would not get good results.

As stated, nearly all products or services face competing wants as well as competing products or services. There are still, for example, many prospective buyers of a radio set whose want for this product, in competition with wants for other things, is not developed to the point of buying a radio set. These prospects can be sold only when their want for a radio set (any radio set) has first been intensified enough to bring them to the point of choosing a particular set for their use. It would be largely a waste of time for a salesman to talk about the special merits of the radio set he is selling so long as his prospect did not desire to have any radio set, or did not desire to carry radio sets, if the prospect is a dealer, because he did not believe people wanted them.

In the marketing process, product and want competition require:

1. On the part of the seller
 - (a) Efficiency and low cost of production.
 - (b) Quality of the product.
 - (c) Adaptability of the product to the real need of the market.
 - (d) Service which meets the requirements of the buyer.
2. On the part of the buyer
 - (a) Recognition of need.
 - (b) Willingness to pay the price.
 - (c) Selection between products and services available.
 - (d) Convenience of buying arrangements.

Confidence Underlies Good Sales Management. Once the prospect is convinced, however, that he ought to satisfy the want or need involved, the next step is to demonstrate the truth of the fact that his best means of satisfying his want is by the purchase of a particular product. You, as a salesman, believe that your product or service is the best means for him to satisfy his want. You, as a salesman or sales manager, are sold on this point. If not, then you would be selling or directing sales under false pretenses; you would know this to be a fact, and your efforts to stimulate sales would be greatly handicapped. You would lack the confidence in your product necessary to sell it against all competing products offered; and it would be difficult to prevent this lack of confidence from communicating itself to your prospect if you are a salesman, or to your men if you are a sales manager, or in your sales letters and advertising copy of all kinds employed if you should be selling by those means. Here is the principle:

The salesman or sales manager who is not convinced that his prospects can buy what he sells with greater profit to them than by spending the same money along other lines, whether for some competing product or for the satisfaction of some competing need, is working under a handicap that he must remove.

If necessary, he ought to go to the extent of finding another connection where he can have complete confidence in his product or service in relation to his market. Otherwise, his work in selling or in directing the efforts of his men will lack conviction; he will be a square peg in a round hole. How could any sales manager who is not thoroly convinced in his own mind and heart that his firm is promoting the best interests of its customers hope to instill and strengthen this conviction in the minds and hearts of his men?

Common Honesty in Successful Sales Management. One executive in the United States, who controls half a dozen or more profitable industries and who takes a personal interest in the selection of men for the more important jobs in each of the concerns he controls, was looking for a sales manager for one of his manufacturing plants. He narrowed his decision down to three men, each of whom he thought was qualified for the place. He wanted to know, however, which of the three would be first to place moral principle above the attraction of the unusually large salary he was willing to pay; so he asked each, confidentially, what he thought of taking over the sales management of still another concern, the purchase of which he said he was considering at the time. He knew, and each of these three men knew, that the product of the business in question—a farm tractor of peculiar design—would not deliver good performance in the field, even tho it did have some good, but really overrated selling points.

One of these men said he had little confidence in the product, but would take the job if the business were bought. Both of the other two men, however, declined to consider the place altho the salary offered was double the salary one of these men was then getting and about 70 per cent more than the other was getting. One of these two men displayed resentment that it was even

thought that he would consider managing the sales for a product the basic design of which was known to be wrong and could not be made right—could not be made to give the farmer good service in the field. The other man was equally decisive in his refusal, but suppressed any feeling of resentment he might have had.

“Here were two men out of three who had passed my test,” said this executive. “I liked one of them because he gave natural and honest expression to his feeling of resentment. I liked the other because he seemed to have consideration for my feelings and judgment in the matter. Which should have the job? They seemed to be evenly matched in their qualifications. Probably it was a toss-up between them. But I chose the man who had shown his resentment at being offered the job. It seemed to me that he was just a bit the more honest of the two. In checking up my experience with men of all kinds, particularly sales managers, I have found that the best of them seem to have the one virtue of common honesty.”

That case illustrates the importance attached to the quality of a product by sales managers, as well as the importance of common honesty as a characteristic of sales managers.

INTELLIGENT STUDY OF MARKETS AND PRODUCTS

It is apparent that sales managers must study their markets in relation to their products and must study their products in relation to their markets. It is, of course, the relationship between product and market that is of practical significance, and not the market or the product by itself; in other words, it is the relationship of human needs and desires to the means of satisfying those needs and desires.

Intelligent management of sales gets at the facts in any study of the market and the product. It is open-minded. The intelligent sales manager is free from blind enthusiasm of the kind that overlooks any hidden resist-

ances that he and his men must face with open eyes. And this face-the-facts principle is, and always has been, a marked characteristic of the more successful salesmen out in the field.

What Are the Market Facts Required? There is a great need in sales management for facts, particularly facts about the market which have a direct bearing upon the sale of the product. There are several good reasons why, to-day, scientific market investigations are employed to reveal the facts concerning a market in relation to a product. Markets in most cases are to-day country-wide, often world-wide, and the expanse of territory covered by markets constantly grows larger. Some parts of the whole market area are better than other parts for particular products. It is necessary to know the relative quality of different parts of the market, both by classes of prospects in single units of territory and by territorial divisions. But let us remember that "markets," from the viewpoint of practical sales management, are people—buyers and prospective buyers—not places.

Also, competition in most lines is increasing, bringing down the margins of gross profit in accordance with the cost principle explained early in our study of the Principles of Profitable Management. You will remember that—

Competition, in the long run, tends to force prices down close to the cost of production of marginal producers, whose cost of production is highest of all among competing producers.

Sales managers want to know why as well as how costs of production on their products vary with costs of production on competing products, and whether differences in costs arise from comparative inefficiency in production methods or from differences in the quality of competing products.

If the production costs of competitors are higher or lower than our own costs, because their products are bet-

ter or worse in quality, sales management wants to know this as a fact and to face it as such, not dodge it or try to think its own product is just as good, unless it is actually just as good or better for the purpose. Here is where market facts come in. To what extent does the consumer exercise intelligent choice in his purchase? Is his judgment of relative merits superficial? Does he prefer the more expensive product because it appears to be better or because it is better? Accurate answers to such questions constitute basic and vital market information.

This problem of discovering the elements upon which consumer choice among competing products rests is the most vital kind of market information.

There are many ramifications of this problem, such as the part played by the price in a consumer's choice, by the character and standing of the retail dealer if sold thru retailers, or of the house if the product is sold direct to consumers, as well as the part played by the characteristics of the product itself.

Also, here as elsewhere in market information, the sales manager must deal in averages, for most consumers and buyers will be influenced in their choice by one or more of a limited number of factors—the profit, convenience, appearance, etc., of the product or service.

The Most Valuable Kind of Market Facts. It is a good thing to know the per capita consumption of a product, whether it is increasing or decreasing, and the possible maximum consumption, present and prospective, figuring in the growth of population; also to know the territorial variations in consumption and their causes; and it is a good thing to know how much of this total consumption is supplied by the various competitors, and why.

General market information of that kind is useful in determining sales possibilities and probabilities; it is, in fact, vital in planning sales campaigns where budgeting the sales volume that can and must be secured is requisite to the profitable operation of the business. Market in-

formation of this kind comes from many published sources, particularly from the Government's census of manufacturers and of population and from some of the larger almanacs. Such facts are very useful, but—

In nearly every case, the more important kinds of market information concern the question of why consumers or users buy—why they buy one article rather than another in supplying a particular want, and why they satisfy one want rather than another.

This kind of market information aids directly in the application of effective salesmanship to the sale of the product. And to apply good salesmanship, whether by salesmen or by advertising, or by both working together, is the prime requisite in gaining the best volume of sales at the least cost of selling.

We cannot get this kind of market information from any source other than by contact with consumers or users. This contact may be, in part, indirect, as when we get this information from dealers who are in direct contact with consumers; but only in part by that means, for dealers as a rule do not analyze the reasons underlying consumer choice to the extent that a producer requires the facts on this point. It is therefore necessary for a sales manager to invent and employ special means of gathering the facts concerning the opinions and the attitude of consumers toward his products and toward competing products. He may gather these facts thru his salesmen, who may be required to talk with a certain number of typical consumers from time to time for this purpose; or he may have special market investigations made by trained investigators.

He needs this consumer information complete and accurate, because it underlies the shaping of his selling plans, policies, and methods. It enables him really to understand his distributors, for their opinions and attitude are molded largely by their experience in contact with consumers directly or thru dealers in the case of

jobbers. He wants this consumer information for the great light it throws upon his product. As we shall see in our study of the product in Part III of this executive manual, consumer facts are the truest and best source of suggestions for the improvement of what we sell. Also, however —

Salesmen want the facts concerning dealers and jobbers as well as consumer facts; for good salesmanship depends largely upon the salesman's appreciation of markets thru which goods are resold.

But the distributor (jobber or retailer) who buys to resell looks on his purchases mainly from the standpoint of "Will they sell?" Salesmen must ever recognize this fact and let it mold the central aim of a sales talk to distributors. Facts concerning consumer opinion and attitude must be used in selling to dealers, and even to jobbers, who, when they know the reasons for consumer demand as it is reflected in their sales to dealers, buy more freely and tend to give the dealers better service.

This problem of getting the facts concerning buyer choice in cases where goods are sold direct to users of the product, as in the sale of lumber or of office appliances direct to users, is somewhat easier to solve, for in such cases the sales organization has constant direct contact with its consuming market in its daily work.

The Use of Consumer Facts in Advertising and Retailing. Certainly consumer facts are the foundation of effective advertising to consumers. They serve both to determine whether or not advertising ought to be used and to determine the character of that advertising. And in retail sales management, a function usually devolving upon the merchandise manager or buyers in the larger retail stores, observation of consumer wants and preferences is the backbone of success. This is also true, of course, in retailing by the mail order method. The mail order house has great need for scientific analysis and close statistical study of its market. To send its catalog where and when

the results in sales will be best is a prime problem in the management of mail order sales. Another basic problem lies in the selection of the best variety of offerings to meet the real wants of its customers and prospects. This is also a prime problem in retailing; it requires intensive study of the local trade zone—observation in the homes of customers and prospects as well as accurate analysis of sales records and observation of consumer choice in the retail store.

Analysis of the market in any case means more than the study of individual customers and prospects as such. It extends into classifications of all customers and prospects, with special study of the characteristics of each class, for the purpose of determining the line of least resistance to profitable sales. This study, in the case of retailing, may suggest better adaptation of stocks carried and of selling methods to one or more classes of customers in the trade zone; or, in a manufacturer's case, it may suggest the advisability of concentrating on more, or on fewer, types of prospective buyers.

Knowing Markets the Basis of Good Sales Management. In all cases, the sales manager must be intimate with his market. He could hardly know his market too well. Specialized investigators of market facts and conditions—called “market-research men”—are often used profitably, especially in finding the best markets for and methods of marketing a new product. Scientific tests of various markets in relation to a product, including principally the testing out of the product in use by its final consumers, are usually time and money well spent. Market research will be treated later on in our study of Sales Promotion.

The sales manager who is primarily interested in his consumer market, whether or not he sells direct to that market, and who finds out what consumers are thinking about his products and his house and why, is very likely to be a good sales manager.

Knowing the market also means keeping in constant touch with changes in general business conditions out in the market, noting and taking advantage of these variations as they come from time to time in various parts of the market. If, for example, a good cotton crop with fairly high prices gives the Southern cotton planters an exceptional amount of purchasing power for the time being, then at that time some very special selling efforts in that part of the market should bring good returns.

Knowing the differences in various parts of the whole market also enables the sales manager to select salesmen who are best fitted to handle particular parts of the market; and it helps greatly in estimating sales probabilities which determine territorial limitations for salesmen.

The business house that knows its markets best and keeps on adding and revising market facts as recorded in the sales department, has a decided advantage over competition which does not so thoroly know the market.

As we proceed with our study of sales management in this series of eight executive manuals on this subject, we shall come to see more and more why it is so important in sales management to know our market. Market information of many kinds, and especially fundamental facts such as those mentioned in preceding pages, are necessary in building up a strong selling organization.

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Altho we have necessarily covered some aspects of product analysis in preceding pages, for a study of the market would be of little consequence except as it relates to the product or service sold in that market, we shall now, briefly, find out what a sales manager should know about his product, remembering that, for purposes of salesmanship, the best place to study a product or a service—anything that is sold—is out in the market.

ESSENTIALS OF SALES MANAGEMENT

Part III

THE SALES MANAGER AND HIS PRODUCT

IN OUR study of the sales manager and his market, we found it necessary to include much that concerned the product; and now, in our study of the product, we shall necessarily include much that concerns the market. The study of products and the study of their markets are inseparable for purposes of practical sales management.

The Source of Ideas for Improving the Product. Every sales manager knows from experience that the best ideas for improving a product originate out in the market. These ideas come largely from the experience of users of the product. Improvement of a product, therefore, is best directed by those who are able to put themselves in the place of customers and prospective customers, who know the market as the result of first-hand contact with the people who compose it.

It is up to the sales manager, primarily, to make sure that those in the production department who are responsible for turning out a good product are kept in touch with the experience of users.

The experience of users is reflected in reports from salesmen and from dealers, and is especially revealed by direct contacts with users made by investigators (either salesmen or special investigators) who work with this purpose uppermost in mind.

It must be remembered that the most thoro knowledge of a product as such—how it is made, of what it consists, or of the principles applied in its construction—is not sufficient for purposes of salesmanship. In fact, complete technical information about a product in the hands of salesmen is seldom of paramount value in salesmanship,

unless it is related to the use of the product out in the market.

Can the Salesman Know Too Much about His Product?

While it seems to be true that a sales manager and his men can hardly know too much about their market, here and there we find a sales manager who is not so sure that his salesmen could not know too much—too many technical things—about the product.

One prominent sales manager goes so far as to discourage his men from trying to understand all about the mechanism of the somewhat complicated office labor-saving device they sell. But he makes sure that each man thoroly understands the use of this product, and by the word "use" he means exactly how much of a saving the use of this product brings about and just how and why this saving is made. His salesmen know, first of all, the results to be gained from the use of this product in the case of different classes of prospects, for some users find the product a more profitable investment than others, or they get a different kind of profit or benefit from it.

In brief, this sales manager wants his men, above all else, to know this product in relation to the market; and this way of knowing a product implies full comprehension of the point of view and experience of users—not only the prospective buyers' viewpoint toward their particular problem of costs of operation which this office device helps them solve, but also their attitude toward costs in general: toward the rent they pay for space, the interest and depreciation charge against funds invested in equipment, the cost of supervising the work of employes, their pay-roll problem; in short, all their basic problems of office production.

When his salesmen can accurately put themselves in the position of the management of the business concerns they call on, a sales manager may feel that they

possess the most fundamental of the requirements for success in selling.

If, in selling the labor-saving device mentioned, a salesman observes a crowded office cramped for space, he recognizes in this condition a problem of management; he makes good use of the fact that this automatic labor-saver serves to economize space and that it can be operated as well in less valuable space where the lighting conditions may, perhaps, not be so good as required for the work when done by hand. Frequently, in fact, where office space is expensive or crowded, this one advantage properly presented, becomes the principal factor in closing the sale.

This sales manager also knows, however, that his men must appreciate the objections to be faced. These objections, from the viewpoint of prospective customers, are real ones, such as the carrying charges against the investment in this machine, including the cost of upkeep and depreciation as well as interest on the investment. His men recognize these resistances. But they know how to apply the principle of figuring all the costs of having this machine and of not having it, in the case of each prospect. They gain the prospect's confidence in themselves and in their product because they are obviously the business-man type of salesman mentioned earlier in this study of sales management.

THE PART PLAYED BY THE PRODUCT

What has just been said must not be interpreted as minimizing the fact that a salesman usually must understand the technical points of his product, and that he can seldom know too much about his product: the raw materials that go into it and where they come from, the processes of production, the principles underlying design, and so on. But this also is true:

Knowledge of his product is of real value to the salesman only in so far as it helps him in making sales.

The danger comes from giving a salesman only technical information about his product and neglecting to hook up this information with intelligent salesmanship practice.

In some cases, especially where competition is keen, with several similar items in the field, the salesman must also know competing products. Particularly must he know wherein, why, and just how his own product excels other products; and these excelling features may not in every case be apparent on the surface. They may, for instance, reside far back in a manufacturing policy which insures hidden values in a product. If so, the salesman must understand that manufacturing policy.

In other cases, even where little if any competition exists, the salesman may need to know his product thoroly in order to take any mystery out of it or in order to impress the prospect with the fact that it will efficiently serve him as designed, will not easily get out of order, will be easily used, and so on.

How the Need to Know a Product Varies. Naturally, the need for knowing a product as such varies in different cases. It is necessary for sales management in any case to determine the minimum of just what the men must know about their product. There is always a limit beyond which the salesmen's knowledge of their product as such need not go; it is the limit fixed by the requirements of good salesmanship, and it varies in different cases. Take the case, for example, where it is necessary, first and last, to impress strongly the need for the product rather than prove the fitness of the product as a means of meeting that need. In such cases, extensive knowledge of the product, with relatively little insight into the nature of the demand for it, often leads a salesman to talk product as such when he ought to be talking the gain or profit to be had from the use of the product. He will not make this mistake when he knows his market

as well as his product. The selling principle here involved is that—

Buyers do not, in reality, purchase products, but they purchase what the possession and use of products will yield in the way of profit or benefit.

It is apparent—and this fact will be increasingly apparent as we penetrate farther and farther into the problems of sales management—that a really practical analysis and study of a product cannot be made apart from the relation of that product to its users and distributors. The salesman analyzes and studies his product in order to gain knowledge that is useful in selling that product. Practically every product has some good talking points, and it is the responsibility of sales management to find these and pass them on to the salesman.

Adding Talking Points to the Product. Altho it is the function of sales management to direct the sale of a product or service as produced for sale, it is also the responsibility of sales management to make sure that the product possesses, in itself, as many good talking points as can be incorporated without too great expense. When salesmen or others suggest changes in the product, changes which are designed to make it more easily salable, sales management, in co-operation with production management, must carefully weigh the selling advantage to be gained against the effect of the change on the cost of production. If it appears that a net gain or profit for the business would result from the change in the product, then, of course, it should be put thru.

A salesman selling foot arch supports to retail shoe dealers found that many consumers did not buy from the dealers because the arch support was too heavy, too much added weight in the shoe. To cut down the weight of this product would add considerable to the cost of production; but, after a careful investigation, an order for a limited quantity was put thru the shop. It was then

found that the lighter weight model could be sold more readily, reducing selling costs and increasing sales far more than enough to outweigh the increased cost of production.

Suggestions for improvements of many kinds in the product come from salesmen. But it must be remembered that constant changes in products may be a source of waste, and that the prime function of sales management is to sell what is produced. All the talking points of a product, as it is, must be understood and used effectively in making the selling appeal to prospective buyers. However—

A change in a product or service can be profitably made when it serves to stimulate sales and to lower selling costs more than enough to offset all costs of the change.

Sometimes there is resistance against changes on the part of production management, even tho the changes suggested are highly desirable. Herein is a problem of sales management that requires ability to get co-operation from the department of production. It suggests the advisability, on the part of the manager of sales, of undertaking to get on a basis of mutual understanding from the beginning with those in charge of production.

Developing a Point of Excellence in the Product. Sales management has the right, as a matter of fact, to require the best possible adaptation of what is sold to the needs of the market, including consideration of how competing products meet that need.

Every sales manager knows the great value of having a product or service that clearly excels competing products or services in at least one definite point. This excelling feature may be merely a matter of appearance, or a more pleasing shape or color combination; it may even be merely in the package or wrapping; or it may be some more substantial point of individuality, such

as a special refinement or simplification or convenience of some sort.

The more substantial the point of excellence is, the greater is its value in salesmanship.

Whatever this outstanding feature or point of excellence may be, it serves to help greatly in turning a buying decision in favor of a product where similar products are available.

A certain power washing machine gained headway in this highly competitive field because it "never gets out of order" and therefore gave its selling agents and dealers no repair troubles after the sale. This machine admittedly did not do any better work than some of the other machines on the market. But many dealers preferred to sell a machine that required little, if any, care on the part of those to whom they sold it. This was the chief talking point to dealers; and dealers in turn talked it to housewives.

Nearly always a "point of excellence" in a product that appeals to distributors is, at least in part, a point that also appeals to consumers, and vice versa.

It pays to consider specifically what the dealer wants as well as what the consumer wants in a product, altho to a very great extent the dealers want to sell what consumers want to buy; and the ultimate consumers are, in nearly all cases, the real arbiters of what a product shall be.

It is in the relation of a product to its ultimate consumer that sales management finds its real study of the product.

It would be difficult, in fact, to find a point of excellence in a product which is not such from the viewpoint of the ultimate consumer of the product. Even favorable prices and terms to a dealer may make it possible for him to sell to consumers at a lower price or on better terms, or to give consumers something extra in the way of service.

ANALYSIS OF THE TALKING POINTS

Remembering that purchasers do not, in reality, buy products or services as such, but that they buy the profit, gain, or advantage which comes from the possession and use of the product or service, we find that the talking points are, then, those features of a product or service which appeal to purchasers as offering them a direct advantage of some kind.

The housewife does not buy an electric ironing machine, for example, just to have it. She buys it for the advantages she expects it will yield. One advantage may be her pride in owning an electric ironer. Satisfaction of pride in owning an electric ironer is a real advantage to the purchaser as well as the time and effort this device saves over the use of hand irons. The trained salesman knows this. He also knows that the housewife's pride in her personal appearance, made possible by having more free time and by freedom from drudging toil, is the basis of a good selling appeal on this product. This appeal, in fact, has been found to be a strong one in the case of nearly all housewives who do their own ironing.

Thus in analyzing the talking points of any product, sales management gets down to those basic desires in human nature that a product either directly or indirectly satisfies. Their satisfaction is the real profit gained by the purchase. This point is vital in salesmanship. Here is the underlying principle:

The real cause of a purchase always lies in the satisfaction of instinctive or acquired desires imbedded deep in human nature.

As we have already learned in the manuals on Developing the Executive Mind, these instinctive and acquired desires are the real motivators of our lives. Consciously or unconsciously, they are the original causes of our actions. Even our most carefully reasoned-out acts are based upon instinctive desires, such as the desire for

comfort, for self-respect and the respect of others, for the welfare of our family, for promoting our social standing and the standing of the community we live in, for security from danger, for health, etc.

Such are the basic causes of purchases, which should guide sales management in the development of talking points. The above principle also throws light upon the reason why so many of us place knowledge of human nature at the top of requirements for efficient salesmanship and sales management.

How Competition Influences Talking Points. Satisfaction of instinctive desires is the real cause of a purchase, but a prospective buyer's reasoning faculty is usually brought into play, especially when competing products or services are available. By making more or less logical comparisons, he chooses the product or the service that he thinks will best satisfy him in relation to price. Herein, largely, is the place where the distinctive excelling features of a product or service are of greatest value.

A salesman enjoys greater opportunity for sales in proportion to the extent of the excellence of his product over competing products in relation to competing prices.

But a salesman will not depend altogether upon the excelling features of his product in his selling talk. He will, first, make sure that those instinctive desires of human nature that may be satisfied by possession and use of his product or service are aroused. Then he will keep those desires alive as he demonstrates the efficiency of his product or service as a means of satisfying his prospect's desire for the profit or advantage he will get from the purchase.

We have already discussed another angle of this phase of salesmanship as "want competition," which largely governs the salesmen's problem of arousing desire, and "product competition," which governs his problem of demonstrating the excelling features of what he sells.

Wherever want competition is keen, there the selling emphasis must be placed, first, on arousing desire to satisfy a particular want; but wherever this desire already exists, emphasis must be placed more strongly on excelling features of the product or service.

Whether product competition is strong or not, however, a product or service must obviously have in it the qualities which assure satisfaction, and must be offered at a price that prospective buyers are able and willing to pay under the influence of good salesmanship practice.

WHAT IS THE "QUALITY" OF A PRODUCT?

The "quality" of a product does not mean, necessarily, the costliness of the materials that go into it; and the quality of a service of any kind is not necessarily proportionate with the expense of rendering that service. A cheaper article of better design may possess the greater quality; or a service that is less expensive to render, but simpler, may be of better quality.

Quality is revealed in the satisfaction rendered by the use of the product or service. We may say that:

Quality is the degree of efficiency attained by the product or service, at the price named, in satisfying the want or need which the product or service is designed to satisfy.

This is an abstract definition of quality, but it is a useful conception of the term. The quality of a product or service is measured by the amount of satisfaction it yields to the user.

No matter how imposing is the appearance of a certain high-priced automobile, and no matter how good is the steel in it, or the skill and care of the workmen who assembled it, or no matter how correct are the technical principles applied in its design, yet it may not be of as good quality for many buyers as some other car that is inferior in some or even all of these points; it may not so well satisfy the want or need of a user as would some less expensive car.

Efficient sales management must look at this essential matter of quality from the point of view of the market; that is, from the viewpoint of the satisfaction of needs or desires.

The satisfaction of needs or desires, from the viewpoint of the person or business whose need or desire is satisfied, necessarily includes consideration of the cost of satisfaction, or the price paid by the buyer. The greater satisfaction he would get from driving a higher priced car may be more than balanced by the dissatisfaction experienced if, in order to pay for the higher priced car, he would have to forego the satisfaction of certain other needs or desires.

This conception of quality is widely applied in practical sales management. It recognizes the fact that the quality of a product concerns that product in relation to the market. The cheaper article is not necessarily of inferior quality for the purpose.

An important question in sales management is: What classes or groups of prospects and which prospects in each class or group give me opportunity to get the best sales volume at the least cost? In other words, Who are the people that will find the best quality in my product? The correct answer to this question is rarely ever easily found. Sometimes there is another side to the question: What improvement or change in the product will best meet the requirements of definite classes or groups of people; or, what changes will broaden the market, and what changes will intensify the want for one product against competing products?

Thus the sales manager has two fundamental problems. One is that of market selection, or fitting the market to the product. The other is that of product adaptation, or fitting the product to the market.

When a salesman calls on prospects to whom the quality of the product or service is relatively high, this is good market selection. When the sales manager sug-

gests and helps to put thru changes in the product that make its quality relatively high to more prospects, this is product adaptation.

THE BASIS OF INTELLIGENT SALES MANAGEMENT

We have now considered some of the more basic requirements of practical sales management. We have noted the broad scope of this major division of management and some of its underlying problems. Its responsibility includes the effective development and direction of all indirect as well as direct selling forces and influences. And we have seen how nearly all activities in a business either directly or indirectly influence sales.

It is apparent that a sales manager, in addition to many other characteristics, must be the type of man who can think deeply about his market and his product. The efficient sales manager is a man of exceptional courage. He is not blindly optimistic. He gets at the facts about conditions out in the market and about his product. He has the great virtue of common honesty; he is sincerely convinced in his own mind and heart that he and his men are earning a profit for the people to whom they sell. This is the true source of his dynamic influence on his men.

He must also possess organizing ability in high degree, for his is the personal responsibility for the effective organization of all activities in the business which can be used in promoting sales at a low cost of selling. In Executive Manual 18, we shall make a study of the essential aspects of the problem of effectively organizing all the selling forces and influences in a business. The handling of Executive Problem 17, which follows, will develop our ability to apply essential principles of efficient sales management as covered in preceding pages, and will complete our preparation for taking up Executive Manual 18.

CHECK-UP ON PRINCIPLES

Use the following check-up to get the principles of this manual firmly fixed in mind. This will help you to handle the problem which follows. This check-up is entirely for your own personal use, so you need not send it to the University.

	Check	
	Yes	No
1. The sales manager in a large wholesale house purchased 150 pamphlets explaining the spirit of salesmanship, one for each of his salesmen. The general manager ordered 600 additional copies, one for each employe. Was this additional purchase probably justified?		
2. No. 1 of two candidates for the sales managership in a company that makes mining machinery had secured good training in business management as a whole, but had behind him only three years of successful experience as a sales manager, as compared to six years of such experience on the part of No. 2. But No. 2 had no definite training in business management as a whole. No. 1 got the job. So far as these facts indicate, was this a wise choice?		
3. In one large manufacturing organization, there was (1) a sales manager, (2) an advertising manager, and (3) a sales promotion manager, each one independent of the other in authority and with no one higher up definitely serving as general manager of sales. Was this good organization?		
4. "If we must cut selling costs 10 per cent," said the new sales manager, "let's begin in our shipping room where more careful service to customers will greatly help to increase sales." Was this suggestion sound in principle?		
5. Sales Manager A kept in close personal touch with many customers and prospects, as well as with his salesmen. Sales Manager B gave his entire time to his salesmen, and paid no attention to any customers and prospects, saying, "It's up to me to know my men, and it's up to them to know their customers and prospects." A's earnings were about double B's. Was this difference in earnings partly a result of the different attitudes of these men?		

	Check	
	Yes	No
6. Men who sell a certain line of food products to merchants are occasionally required to serve as demonstrators of their lines to the retailers' customers and prospects. Does this practice apply a sound principle of selling?		
7. "We need the very best manager of sales that we can get," said a general manager of a new tractor manufacturing plant, "because we are up against strong competition. Many farmers do not yet see the need and there are many different tractors from which to choose when they do see the need." Was this recognition of both product and want competition?		
8. "Skim the cream first; then go after the sales that are more difficult to make," a sales counselor was advising the manufacturer of a new automobile accessory which was sure to bring forth many competing products. Was this good advice?		
9. The outstanding merit of one special machine led a salesman for a competing machine to quit his job and make a connection selling the machine of outstanding merit. Was this in line with sound principle?		
10. Should a sales manager be interested in complaints made against his product or service as well as in testimonials?		
11. Can a salesman have too much technical information about his product?		
12. Improvements in a certain product enabled the salesmen to secure about a 7 per cent increase in sales volume at the same selling expense. The improvements in the product raised its cost of manufacture 10 per cent. The selling price was \$2.25 and the cost of manufacture was \$1.40. Were the improvements justified by the results?		

Executive Problem 17

ANALYZING THE MARKET AND THE PRODUCT

Choosing the Channels of Distribution UNDER THE LASALLE PROBLEM METHOD



THE sales problems of some business firms are different from those of others—or more complicated. Nevertheless, it will be found that the same sound selling principles can be applied in every situation; as well to the problem of a great steel company as to the problem of a small dry goods store. In fact, sound principles must be applied if something more than guessing is to be done—if the best results are to be gained.



Prepared by the Research and Consultation Staff of LaSalle Extension University from an interesting problem which it has carefully investigated and analyzed.

Executive Problem 17

ANALYZING THE MARKET AND THE PRODUCT

Did you ever see a curiously curved bit of steel, round here, square there; pointed at one end, blunt at the other; rough in spots and polished in others? If you know something about surgery, you would recognize it as a surgical instrument. But suppose you didn't know what it was and were given a thousand to sell. What would you do?

There would be little use in going to a chemist with it or to a physicist to learn exactly how the thing is made. You would first have to find its *uses* and next you would search for folks who would be most likely to use the device and who could at the same time afford to buy. If someone then suggests a new use, say as a high-grade can opener, an entirely new market of possible buyers is ours.

The wide-awake sales manager looks at every proposition as tho it were just such a not understood bit of steel for which uses must be discovered. He is never content with the conventional uses and markets, and no matter how long he has been selling a certain line, he is constantly analyzing it for new uses and new markets. When sales of additional life insurance for the protection of the family became more difficult and expensive to make, new uses for life insurance, such as partnership insurance, income insurance, and the like, opened vast new markets.

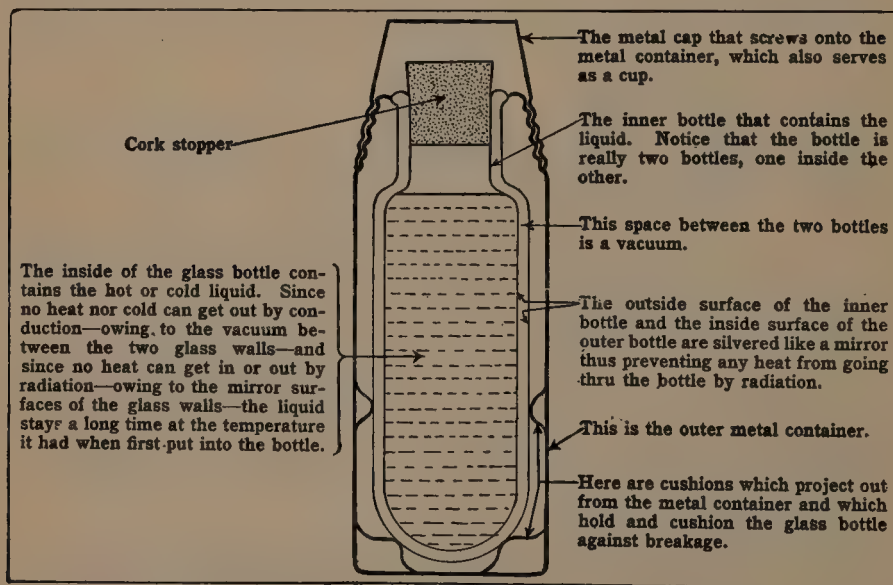
In this problem you are to take the place of Mr. Sedgwick, sales manager of the Jones-Johnson Manufacturing Company, whose factory is in Ohio. This company has been in existence for several years, manufacturing a line of products which it sells, thru jobbers, to hardware and house-furnishing stores. Its force of sales-

men, while it visits the jobbers, also visits the retailers for the purpose of opening new accounts and of stimulating and teaching the dealers to sell more of the Jones-Johnson Products. The company has national distribution. It has now decided to add a vacuum bottle to its line of manufactured products.

Before this was decided, the executives of your company made a thoro study of this vacuum bottle and its uses.

How a Vacuum Bottle Is Made. A vacuum bottle is a receptacle which keeps hot foods and liquids hot for a long time, and cold foods and liquids cold for a long time. Its containing walls are to a large extent non-conductors of heat and cold.

The accompanying diagram explains the physics and mechanics of the vacuum bottle. (This diagram should be carefully studied.)



The vacuum bottle consists of a glass bottle inside a metal container, against the sides of which the glass bottle is cushioned.

The glass bottle is double-walled, the space between

the walls being a vacuum, and the surfaces of these walls are silvered like a mirror. The glass bottle is closed with a cork, and the metal container is closed with a metal cap which screws on, and which also serves as a cup.

Uses of the Vacuum Bottle. The greatest use to which a vacuum bottle is put is in keeping hot drinks hot until they are used. These hot drinks are mostly coffee and tea, which are carried from home by workers to drink at their noon meals or at other times while they are at work. Cold drinks may also be carried in vacuum bottles by workers, but they are considerably less used for this purpose. Some use is also made of vacuum bottles by school children in carrying drinks to be used in their noon lunches where these are eaten at school.

The vacuum bottle is also used within the home, where it is desired to keep a liquid hot or cold for a long time. Thus, mothers of young children, as well as invalids, find this article convenient.

Still another use for the vacuum bottle is in connection with picnics, outings, and motor and railroad trips. Fishermen and hunters who stay out for hours and need a hot drink find it highly convenient.

Superior Points of the Jones-Johnson Bottle. In a mechanical way, the Jones-Johnson bottle has points of superiority which should help to build up sales in it.

The glass is less liable to break, owing to the unusually good cushioning between the glass filler and the metal case. The bottle is easily cleaned and kept clean, and it has an attractive appearance.

Moreover, this bottle does not come apart; hence, its internal parts do not become dirty and require cleaning. The user has only to rinse out the interior, to keep the exterior of the metal case clean, and to clean the interior and exterior of the screw cap.

The bottle can be sold at a moderate price.

Before deciding to add this bottle to the line, all these data had been referred to the sales promotion department and it had made a thoro analysis of the product and the market to suggest new uses and advertising plans to reach the new user market, and also to determine about how large this market would be.

It has reported favorably. Its analysis showed that when the first vacuum bottle was placed on the market, it was a new, strange thing. Both the product itself and the use to be made of it were new to the public. Therefore, the first vacuum bottle advertising had to be very largely educational. It had to get people into the mood of accepting the bottle as an everyday thing.

By this time that acceptance has been established. The public in general now accepts the vacuum bottle as a matter of course.

It does not question its ability to do the work for which it was planned. It does not question its usefulness.

However, mere belief in a thing is not always sufficient to give that thing widespread sales. Often something in addition is necessary, something that gives the article general notice and popularity.

It is therefore suggested that the Jones-Johnson people do the following two things in an advertising way that will give their vacuum bottle a wider notice and more good will than competing bottles are procuring:

First, give their bottle a name with good-will personality in it.

Second, suggest, in a novel way, a use for the bottle to which it is believed there will be a popular response.

The Name of the Bottle. The name suggested for this bottle is "Old Faithful." This name has two valuable qualities—identity and good will.

Owing to the fact that very few vacuum bottles now hold a big place in the public mind, other bottles coming on the market have difficulty in establishing their

brand identity. They do not stand out as distinctive brands. The name "Old Faithful," however, has considerable personality. If properly advertised, it will stand out and not become confused with the names of the other brands.

The name possesses not only individual personality, but also good will. It tends to make people "warm up" to the product. This name is in the same class with "Big Ben," chosen by the Western Clock Company as the name of a widely advertised and extensively sold alarm clock. The use of this name had considerable to do with obtaining an extensive market for this clock.

The Proposed Use for the Bottle. You, as sales manager, have co-operated with the sales promotion department in finding a special use to feature for this bottle. This use is suggested by the unusual phrase:

*"A Cup of Hot Coffee
in Your Pocket."*

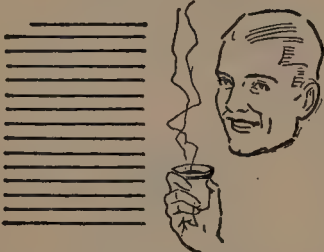
In short, of the many uses to which a vacuum bottle may be put, it is proposed that the Jones-Johnson people select one specific use, and that a widespread one—the carrying of hot coffee and having it handy at any time the owner wants to drink it.

The advertising of the "Old Faithful" bottle will be planned to appeal to every one who at times feels the need of a cup of hot coffee when it is impossible or inconvenient to get it. On a cold day the bricklayer on a six-story building has hot coffee in his near-by overcoat pocket. The transfer truck driver may be miles from a coffee shop, but his steaming drink is at his side. A teacher's nerves may be on edge at 10 o'clock; "Old Faithful" is in the cloak room with its stimulating draught. "Old Faithful" will give a cheering cup of coffee to everyone whenever he wants it.

This proposal gives a somewhat different advertising

slant to vacuum bottles from that of other advertised brands, for considerable stress has been laid on the group use of the vacuum bottle—its use in outings and elsewhere where several persons come together. But persons have not been urged to carry individual vacuum bottles except in connection with the noonday lunch. The Jones-Johnson appeal will be to those persons who long for a cup of coffee at some other time than mealtime. Factory workers, out-of-door workers, such as carpenters and truck drivers, and, to some extent, office workers and retail sales people will be among those appealed to. They will buy in both the one-cup and two-cup size.

**A Cup of Hot Coffee
in Your Pocket**



Old Faithful
COFFEE BOTTLE
A VACUUM BOTTLE
Hot Where You Want It When You Want It

It has been decided to start selling in two months. The advertising agency employed by the company is preparing copy for the ads; one of these is shown. It is a window poster for the dealer's use. It is shown here in order to help you visualize more clearly the special appeal which it is proposed to make. You, as sales manager, must now select the type of dealer (retailer) thru whom you can best reach

this new market, and you must also instruct your salesmen how to get orders from these dealers and how to help these dealers sell "Old Faithful" to the many users who will respond to the new appeal.

The working paper will show you what the sales manager must consider in making these decisions. The executive report that you will receive when your working paper is returned will analyze several other products whose selling points are somewhat more difficult to determine.

BUSINESS MANAGEMENT

ANALYZING SELLING ACTIVITIES — Being Executive Manual 18, on Selling and Sales Management, in a Complete Plan of Train- ing and Service for Executive Work

*Investigated, organized, and presented by
the research, consultation, and editorial
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the advice and co-operation of

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ANALYZING SELLING ACTIVITIES

Part I

ORGANIZING THE MEANS OF SELLING

A MANUFACTURER of a new patented bed spring appointed a sales manager whose chief qualification was his success in selling this product to merchants. He was given full responsibility and authority in handling the sales problem.

Mindful of his own successful experience in selling to merchants, his selling plan was limited to the use of salesmen who called on the merchants. But sales came slowly and at a high selling expense. He was unable to develop good salesmen, and he did not take into account all the supplementary sales methods that would help his salesmen. The manufacturer was forced to find another sales manager.

The new sales manager's understanding of sales management was broader. He added other selling activities to the sales force in the field. He employed an advertising agency to map out the best plan for arousing the interest of consumers in his product. His advertising agent also worked out several plans for stimulating the dealers to take advantage of the advertising to consumers. With this help, the salesmen found it easier to land new dealer accounts. Their work was also supplemented by a sales-promotion man, who put the salesmen in touch with live prospects, followed up calls of the salesmen with good sales letters to their prospects, and got many customers to take a more active interest in pushing the sale of this product; in short, gave the salesmen the kind of aid from the home office that they needed.

Such aids to salesmen are not necessary in all cases. Salesmen alone are adequate in the sale of many products. But the aid of advertising and of sales promotion

is often necessary, particularly in selling new products that face strong competition.

Employing All Effective Sales Activities. Thus, by effectively organizing all available selling activities and making them work together, this new sales manager soon accomplished what the sales force alone had failed to accomplish. His initial selling cost was high; however, he not only sold bed springs to merchants but also helped them resell to consumers. He got repeat orders.

The main point, however, is that this sales manager was not limited by prejudice or otherwise to any one particular selling method or kind of selling activity. He knew that the factors which influence sales in a business can seldom be confined to one kind of selling activity, such as salesmen, or sales letters, or catalogs, or any other single form of salesmanship. He applied the following principle:

The management of sales must find that combination of available selling methods which is most effective in securing the best volume of sales at the least cost of selling.

This manager of sales also knew that there are many important sales influences in addition to the effectiveness of various kinds of selling activities. Early in his first year on the job, for example, he persuaded his employer to put thru certain improvements in the appearance of his product—to make it sell better on sight both to merchants and to their retail customers. Also, he fully recognized the sales-making value of courteous and efficient service in all house contacts with customers and prospects. He did much to improve deliveries, attention to special requests, and many other forms of service so much appreciated by retail merchants.

In brief, this man realized that large sales are seldom made as the result solely of the effort of the salesman or the sales correspondent or the advertising copy writer;

that his job embraced the task of organizing and using all available and profitable means of selling.

How He Employed Salesmen to Better Advantage. This new sales manager recognized the fact that much of the effectiveness of the work of his salesmen depended on their taking full advantage of all the aids to their selling that were provided. His schedule of important executive activities included thoro training of the men who represented his house in the field. He knew that very much depended upon the work of his salesmen; but he also knew that salesmen are limited in their ability to secure sales

1. By the extent of their skill and training in the practice of salesmanship.
2. By the way in which they are handled by management.
3. By the way in which the house employs various means to help them sell their customers and prospects.
4. By the conditions they face out in the market.

However, the fundamental reason why this new sales manager succeeded in accomplishing what his predecessor could not accomplish was that he recognized a basic problem in the management of sales: that—

All available and practical means of selling must be organized for effective co-operation with each other.

This is the same problem, in principle, as that of the organization of production—to secure a well-balanced co-operative functioning of all parts of the organization. It is primarily a man problem, for it requires, primarily, the right selection of properly trained men in order to secure effective co-operation between the parts of any organization, whether for sales or production.

DIRECT AND SUPPLEMENTARY SELLING ACTIVITIES

Some selling activities are a direct means of securing sales; others bring an indirect influence to bear upon sales, as was pointed out in our preliminary survey of the sales problem in Executive Manual 5.

If we include as direct means of selling, those activities which directly lead to sales, such as the work of salesmen or of sales correspondents or of advertising writers who actually secure orders, then indirect means of selling are all those activities which do not actually make sales, but which have some force as factors that help direct selling activities in their work of actually closing sales.

Supplementary selling activities are numerous. They range all the way from suggestions and information which serve to fortify those who close sales to the many kinds of sales-promotional activities that are designed more directly as aids in actual selling. These less indirect selling activities include many kinds of sales literature and letters, printed bulletins, circulars, booklets, house organs to customers and prospects, all kinds of "dealer helps" (printed matter designed to help dealers resell the goods), and the like. Management of sales includes responsibility for developing supplementary selling aids such as those just mentioned; and we have seen, in Part I of Executive Manual 17, how it may well be the sales manager's function to stimulate the development of the sales viewpoint—of good service to customers—into the minds and hearts of every worker in the business.

Indirect selling also includes all outside activities on the part of the executives, officers, and other members of the whole organization, which affect the standing of the business in the eyes of the public; for example, speeches of one kind or another, donations, social and civic services, etc. While many such activities are not, and ought not to be, engaged in solely with a view toward their effect upon the standing of the business, yet every man in the organization must recognize the fact that his outside activities, to some extent at least, do affect the reputation of his house, either favorably or unfavorably. It is within the scope of the sales manager's functions to impress a consciousness of the foregoing fact thruout the organization, for anything that affects, one way or the

other, the standing of the house in the eyes of the public, tends to make his selling problem either easier or more difficult to handle.

The Right Perspective on Sales Activities. As in the case of all the means employed in attaining any definite objective anywhere in the business, the important consideration is not How direct is their influence in attaining that objective, but How much weight do they have in attaining it? This principle was brought out early in this course of training. Here we can see its application to the sales problem.

In some cases, advertising may be the strongest factor among those agencies that bring in sales and keep down the cost of selling; and this may be the case here or there even tho it is necessary to use salesmen to close sales. One of the largest of Western clothing manufacturers, for example, has said that his sales would be crippled more by doing without his advertising than by doing without his salesmen. But that is an unusual situation.

The vital question in any case, however, is not the relative merits of one means of selling over another; but the important question concerning any means of selling is, Does it fit in with the plan of selling and does it pay?

Viewing salesmanship broadly, there are two main divisions: (1) personal salesmanship, and (2) written (printed or typed) salesmanship.

Personal salesmanship is widely used because it enjoys the fundamental advantage that lies in the great influence of a personal presentation of a selling message. We all are naturally more interested in people than in printers' ink or in the typed page of a letter. But the great advantage of personal selling lies in the fact that it is a dialog, or a two-sided talk, while the printed or typed message is necessarily pretty much a monolog, or a one-sided talk, altho the good advertising writer keeps in

mind what the reader is likely to think and feel as he reads.

Yet the advertising writer says the same thing to many, while the salesman can, and should, adapt his talk to the individual prospect. The prospect's "comeback"—both his words and his actions—serves to guide the salesman in adapting his selling talk to the prospect's individual case. This important advantage of personal salesmanship over written salesmanship explains, largely, why many products can be sold only by means of salesmen.

The Advantages of Written Salesmanship. The sales correspondent and the advertising writer cannot anticipate the individual prospect's "comeback" as accurately as can the salesman who meets his prospect face to face. But this disadvantage may be offset by the fact that the written selling message can be presented, and repeated, at much less cost to the same number of prospects, or to a much greater number of prospects at the same cost. Also, it can better be used to bring a selling message to the attention of all, or of many, prospects at one time in cases where timeliness is an important factor in the sale.

The difference in "cost per call" as between the work of salesmen and of advertising is not vital; it has little bearing upon the question, Does it pay? The answer to that question depends solely upon the cost of selling as determined by sales in relation to selling expenses.

In sizing up the value of any means of selling, consider the amount of sales both in proportion to "calls" and in relation to "cost per call."

There are some exceptional cases of prospects who are inaccessible to salesmen, but who would take time to read a brief selling letter or an advertisement. Here and there, also, we may find the case of a prospect who is so constituted that he resists the efforts of any salesman, particularly of any salesman who does not employ salesmanship of the best grade. He may be the rare individ-

ual who does not admit that any man can personally influence his actions in any way. He has an extraordinary feeling of independence and his fighting instincts are very easily aroused.

The Basic Steps Aimed at in Selling. In many cases, however, the form of the selling message, whether written or spoken, is not so important as the message itself. Unless the content of the selling talk appeals to the prospect at the beginning—whether it is spoken or written—it is likely to fail.

The content of any selling message, to be effective, must aim at a definite sequence of impressions or effects in the prospect's mind.

There are fundamentally three effects to be gained by any selling message, whether directed toward user or distributor, as follows:

1. Desire for a definite profit, advantage, benefit, or gain which can be realized by the possession and use of product or service offered.
2. Belief that this profit or advantage can be realized by purchasing the particular product or service offered.
3. A feeling of willingness and ability to pay the price asked for the product or service resulting in a resolution and decision to buy.

Such, in simple form, are the three basic effects or impressions to be gained in the process of selling any product or service, and such also is the sequence, or order, in which these impressions should be made. It may be unnecessary to strive for all these effects or impressions in any given case. The prospect's desire for the benefit or gain (Effect No. 1) may already exist strong enough without further stimulation. But the salesman or advertising man or the sales correspondent must be sure that the desire for this benefit or gain is alive in the prospect's mind before proceeding to gain Effect No. 2.

This important matter of the impressions or effects to be made in the selling process will be further developed and fully illustrated when we come to our intensive study

of salesmanship in Executive Manual 20. The reason for touching on it at this point is that, if one or all of the necessary effects can be best gained by means of written salesmanship, then management of sales will use that form of salesmanship; if by word of mouth, then salesmen will be employed; if the use of both means co-operating, then both will be used.

In efficient management of sales there should be no preference for salesmen or advertising, except as one or the other has proved its superiority in the actual work of making sales.

That is the attitude of efficient management. It plays no favorites.

The Vision Required in Managing Sales. The man who cannot impartially and accurately size up the merits of all available means of selling, both direct and indirect means, has a fundamental weakness in his qualifications as a manager of sales. This is true whether his work is confined to the direction of a selling force in the field or extended to include the functions of general sales management; for the manager of salesmen who cannot appreciate the true merits of other means of selling than the particular one he himself directs does not have the breadth of vision required in successful sales management. He will not be able to help achieve the most effective organized co-operation between the several available means or methods of salesmanship. The same thing holds true of advertising executives in their attitude toward other means of selling.

Both salesmen and advertising men in any business are working on the solution of a common problem—that of securing the desired volume of sales at the least cost of selling.

They can work together as a team most effectively when both have the vision of true insight into this problem, when each looks upon the other as a salesman, and when each works to gain one and the same objective—

the desired sales volume at the least expense—the one thing that shapes their attitude toward each other and toward their own responsibilities. Many a sales manager with the right vision on this problem has stepped up to general sales management, with his responsibility extended to include all direct and supplemental selling activities; and in many other cases, this step has been taken by the advertising manager.

Certainly the one man in any organization who is given full responsibility for sales—and one man in every organization should be given this full responsibility—must be a man whose vision of the problem and of the various means and methods of solving it is not narrowed by any personal preferences or predilections. He must be open-minded and able to make that deep and accurate kind of analysis of selling activities which underlies efficient management of sales, the kind of basis that we are laying for all phases of management covered in this course.

ANALYSIS EMPLOYED IN MANAGING SALES

Modern conditions in the business world require sound and therefore deep analysis of every major problem in every business; and the great difference in the value of men as executives in any business lies right here—in their ability to get down to the very bottom of these problems. This is particularly necessary in handling the sales problem under the strongly competitive conditions of to-day.

We know that, to-day more than ever before, markets for products, and products for markets, must be determined in the light of the fundamental relationship between them, as emphasized in the preceding executive manual. Conditions of competition require this. The law of competitive prices operates everywhere in the long run; that is to say, in any industry, the prices that can be obtained for a product are all the time tending toward the cost of production of that fringe of competing producers whose cost of production is highest of all. As the

industry develops, the costs of these high-cost producers tend downward, and the costs of the various competing producers tend toward a common level—and the success of each business in that industry comes to depend more and more upon good salesmanship, including good service in deliveries and in otherwise promoting the satisfaction of consumers of the product.

Markets to-day must be worked both thoroly and quickly under strong competitive conditions, and the quality of salesmanship used, as controlled and developed by sales management, becomes one of the most important factors in the earning of net profits.

Sales management to-day faces stronger competition of the two kinds we have already considered:

1. Competition between various wants for their satisfaction, and
2. Competition between various means available for their satisfaction.

Manufacturers and distributors of automobiles, radio sets, clothing, household goods, foods, etc., all are in competition with other suppliers of goods or services to satisfy the same wants, and they are in competition with other wants that prospective customers may prefer to satisfy. Both kinds of competition are usually present. In some cases product competition is the stronger, as in the case of breakfast foods or stocks and bonds; in other cases want competition may be the stronger, as is usually the case with pianos or diamonds, and many other luxuries.

Management of sales must know the strength of both its product and its want competition, and must accordingly organize its selling activities.

If the want for a product or service is weak in competition with the want for other things, management will know and understand this fact. Its sales strategy will be planned, first of all, to develop desire for that kind of product or service, as by general advertising.

How Advertising May Help Salesmen. When it is necessary to develop desire to satisfy a particular want in competition with desire to satisfy other wants, the salesman, as well as the advertising man, gives his attention to the development of that desire for satisfying the particular want—*before* he talks his product or service as the best means of satisfying that want.

Naturally, the salesman who is selling a product or a service that meets a prospect's want—such as the desire for health in the case of those who are ill or the want for a good suit of clothes on the part of a man who needs a new suit—which is already strongly developed, can devote nearly all his time and energy toward the problem of convincing his prospect that his product or service is the best available means of satisfying that want. If advertising in any form has served to develop desire to satisfy the want involved, and to center the interest of prospects in a particular product or service for satisfying it, also if advertising serves to select from among all potential prospects those whose want and whose interest have been so developed—as by securing definite inquiries or bringing customers into a retail store—we can see how this simplifies or at least shortens the necessary selling talk of the salesman.

Take the case of the sale of the services of an advertising agency itself. Its own advertising is, in some cases, directed at the nonadvertiser or at the advertiser who is not already using the services of an advertising agent, whose want for this special service has not yet been strongly developed. In that case, one aim of its own advertising is to find business concerns whose interest in securing the service of a good advertising agent has developed at least to the point of inquiring about the service of the advertising agency—and the advertising agency's own advertising may also aim to develop this interest as well as to find out where it exists. Then the salesman who solicits new accounts for the advertising

agency obviously saves a great deal of time by calling on "prepared" and selected prospects; and the number of new accounts he gets during the year in proportion to the calls he makes is much greater than it would be without the help of advertising. That has been the experience of many advertising agencies who use salesmen.

In the same way, advertising can help salesmen in a great many other lines of business. It is obvious that good advertising can, and does in many cases, help salesmen in this way. Yet this is likely to be overlooked by the man responsible for organized co-operation of selling activities, unless he has thoroly analyzed all available direct and indirect methods and means of selling.

THE CENTRAL PROBLEM IN ORGANIZING MEANS OF SELLING

We have seen that competitive factors have a great deal to do with the right choice of selling means and methods; and this choice is a central problem of our training in the management of sales. We must decide whether or not to use personal salesmen, and to what extent; whether or not to use advertising, the kind and to what extent; whether our advertising shall seek mail orders or find good leads for salesmen, or both, or merely fix in the public mind certain important impressions which tend to establish the kind of reputation that makes the work of salesmen or of sales letters and direct selling literature more effective—sometimes called general publicity.

Every means of selling has its own particular use, and this use varies with conditions.

Some business concerns use nearly all the principal means of selling: salesmen (who sell to consumers or users, dealers, and jobbers); space advertising—both general publicity and to get inquiries and mail orders—in newspapers and magazines; street car cards; outdoor billboards; also miscellaneous kinds of direct advertising to consumers or users and to dealers and jobbers if they are

employed in distributing their products, and an extensive follow-up system.

One manufacturer of electrical-supply goods finds that it pays him to employ all the above methods of selling; and let us remember that each is a method of selling regardless of its directness as an influence in the actual closing of sales. This manufacturer also develops many of the more remote influences on sales mentioned in preceding pages, including an effective public speaker who appears before clubs and associations, a glee club that gives good public recitals, etc. In almost every way imaginable this company develops contacts with the public of the kind that result in good publicity. It also, all the time and in various ways, tries to develop good selling sense and the sales viewpoint among all its employees in application to their work.

Realizing that the salesmen employed by its dealers and jobbers have great influence upon the sale of its products, this company has given considerable attention to the problem of helping both dealers and jobbers develop their representatives into better salesmen; and it has done a great deal of effective dealer-development work, which aims to make better business men of its dealers and jobbers by giving them, in the right way, not only many good sales and service ideas but also many of the principles of profitable business management, such as those covered in this training course as a whole.

Thus this manufacturer, who uses nearly every available direct and indirect means of building sales and of building his foundation for future sales, seems to select his means of selling on the basis of the idea that nearly every means of selling can be profitably used in his business.

Variations in the Use of the Means of Selling. While not many concerns could profitably employ that same com-

plete variety of selling means and methods, let us remember that—

The management of sales in the case of any business should make sure that it is employing all the various available means of selling that would serve to decrease its cost of selling.

It is very difficult to determine the value of some kinds of selling methods, especially those which have a decidedly indirect influence on sales. Usually, however, wherever the manager of sales is able to see the relationship between various selling methods, he will not insist on making every selling means employed show a direct profit. He will estimate as best he can the actual value of space advertising devoted to general publicity, for example. This estimate will be based upon a keen analysis of the impressions that he desires to have instilled into the public mind, impressions which, if made by his advertising, will undoubtedly result in cutting down resistance to his more direct means of selling, such as the calls of his salesmen. Judgment concerning the value of the advertising copy and the space used to establish these impressions must come into play. Good general publicity is especially desirable in cases where the general reputation of the advertiser is an outstanding factor in the sale of his product or service, notably in the case of banks and bond houses.

We can see the value, in managing sales, of a good knowledge of advertising principles. These principles are fully developed and illustrated later on in the section of this training course entitled "Advertising and Marketing."

In general, variations in the means and methods of selling used by different concerns are largely the result of what has been found, in experience, to be necessary in order to sell. This necessity arises from special conditions as they exist in each case—the nature of the product or service, its relation to the market and the character of

the market, the strength of competition, comparative prices, etc. In some cases, salesmen alone can be used most effectively; in other cases, mail order advertising alone is sufficient. Usually, however, there is profit in using both salesmen and advertising in one form or another.

The general principle involved in the choice of selling means and methods is that of using all means and methods which can be used with profit.

If one form of salesmanship results in getting the best volume of sales at the least cost, then, of course, that one means of selling should be used exclusively. But wherever more than one form of salesmanship can be used with satisfactory profit, it should be used.

The manager of sales who happens to be well acquainted with only one means of salesmanship, and not so much "at home" in other means of selling, must undertake to broaden his conception of salesmanship.

The Real Meaning of Managing Sales. We have seen, now, that the management of sales necessarily includes full appreciation of the fact that there are various means and methods of selling; that one of the great problems of sales management is to determine what means of selling are to be used, not overlooking any form of salesmanship which could be used advantageously, whether oral or written, direct or indirect. There is also the problem of making all selling methods employed work together smoothly and efficiently. Wherever any antagonism is found in the relations of salesman and advertising, for example, it is a sign of inefficiency in the management of sales. Either the manager in charge of sales does not understand the real relationship between the various methods of selling that are used, usually because he does not fully understand one or the other of these methods, or his authority over selling methods is not complete.

This leads us again to the meaning of the management of sales—full responsibility for securing the best

sales volume at the least cost of selling, with authority covering all means and methods of selling employed, including authority to add, expand, curtail, or cut off selling means and methods.

What Are the Various Selling Activities?

Sales are made as the result of one or more of the following:

1. Activities that lead directly to sales—
 - (a) Personal selling.
 - (b) Sales letters intended to secure orders.
 - (c) Advertising intended to secure orders, including booklets, circulars, catalogs, and publication advertising.
2. Supplementary activities intended to help sales—
 - (a) Advertising to get inquiries,—create consumer or dealer interest or both.
 - (b) Letters to arouse interest and inquiries.
 - (c) Sales literature which brings out selling points.
 - (d) Support given by the organization or its members to worthwhile movements of local or national scope.
 - (e) Effective service to customers.
 - (f) Systematic investigation to determine profitable methods and markets.
 - (g) All efforts to build up good will among the trade.
 - (h) Constructive credit and collection management, etc.

Not only must the manager of sales know salesmanship in its broad meaning and in each of its several forms, but also he must know the various marketing channels through which his goods or services move on their way to consumers. He must know this in order to determine the best channels for getting his goods or services into the hands of consumers and in order to get the best service from these outside marketing channels. This is the problem we shall take up in Part II.

ANALYZING SELLING ACTIVITIES

Part II

CHOOSING DISTRIBUTING CHANNELS

HAVING analyzed the means and methods of selling, we come to an analysis of the various independent or outside selling agencies, such as retailers, jobbers, commission merchants, brokers, and the like, whose services, cost, and co-operation must be thoroly considered before we can decide whether some one or more of these outside agencies may be used with profit by sales management in the distribution of merchandise.

In cases where sales are made direct from producer to consumer, as when cash registers, adding machines, typewriters, and the like are sold by the manufacturer's own sales organization direct to the users, the selection, development, and the most effective use of all the company's own selling activities constitute nearly the whole of the selling problem. But in many other cases, where sales in whole or in part are made to dealers or jobbers or thru other distributors or representatives, the sales problem necessarily embraces the activities of these distributors.

Our problem is to understand fully the functions of these outside distributors, with a view toward determining their respective values as means of getting our goods into the hands of consumers, at low cost, remembering that no goods are completely sold until an ultimate consumer of those goods buys and pays for them, and is entirely satisfied.

In order to be sure that we are getting and properly controlling the best volume of sales at a low selling cost in relation to our selling prices, it is necessary that our judgment on this problem of distribution be sound. We

may be selling direct to consumers when it would pay us better to employ outside distributing agencies, or we may not be using the best outside agencies available. Wise choice of our distributing channel is as necessary as wise choice of our means and methods of selling. In deciding on the use of an outside distributing agency, the sales manager considers all the various services one agency

A "channel of distribution" is the route, or hands, thru which goods pass on their journey from producer to consumer. The main channels of distribution are:

- I. Producer direct to consumer.
- II. Producer to retailer to consumer.
- III. Producer to wholesaler to retailer to consumer.
- IV. Producer to commission merchant, factor, or other special selling agent or agency, who may distribute either direct to consumer or thru wholesale and retail merchants.

It is not necessarily true that the more directly the distributing channel leads from producer to consumer, the lower will be the cost of distribution.

can render him as compared with others, such as in pushing the sale of the product, in adjusting complaints, supplying parts, displaying the goods, etc. He also considers the financial and business standing of the agency; its methods of doing business; its location; the class of trade it serves; how the use of it affects the attitude of other agencies, such as the jobber's attitude when selling also direct to retail dealers; etc.

But before analyzing this problem of choosing the best distributing channel, let us first take a broad view of the general problem of distribution.

THE PROBLEM OF DISTRIBUTING MERCHANDISE

In the last generation, scientific methods as applied to production have accomplished a great deal in the effort to lower the cost of production. In the present genera-

tion, scientific methods are being applied to the problem of cutting down the costs of distribution.

This matter of cutting the cost of getting goods from producer to consumers is, in fact, now generally recognized as one of the principal problems facing the business world. The Chamber of Commerce of the United States, the United States Department of Commerce, and many trade bodies are now interested in finding ways and means of cutting distributing costs. The importance of the problem is recognized by many manufacturers, and by nearly all consumers who realize that they pay all distributing costs, which costs are necessarily covered in the purchase price.

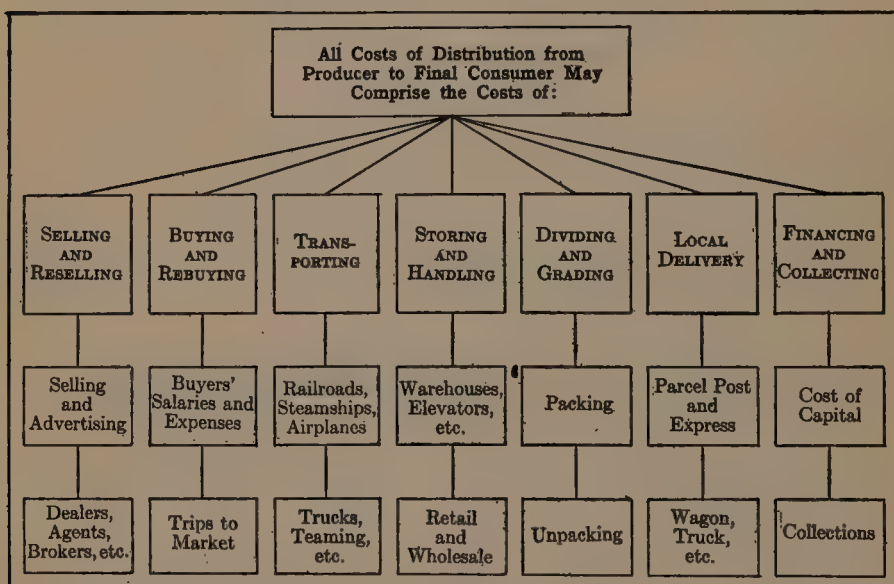
Who Benefits from Lower Distributing Costs? Under competition, the producer who is able to distribute his goods into the hands of consumers or users at a lower cost than that incurred in the distribution of competing goods may get a larger profit on sales or he may pass along the saving to consumers and use this price advantage to increase his volume of sales. But, in the long run, competition will usually cause savings in the cost of distribution to be passed on to consumers. It is well to remember that—

Only as long as a producer who develops a less expensive method of distribution can retain this advantage over the distributing costs of competing producers will he be able to retain for himself part or all of the saving.

As long as a producer keeps ahead of competitors by having lower distributing costs to consumers, he may get a relatively higher price for his goods. Price competition is based upon distributing as well as producing costs. If costs of production among competitors happen to be fairly uniform, competition tends to center around greater effort to reduce distributing costs. But regardless of differences in the cost of production, every pro-

ducer wants the cost of distributing his goods to be as low as possible.

What Are the Costs of Distribution? The costs of distribution are many and varied. In the broad meaning of distribution, they include costs incurred in selling, extending credit, making collections, moving, storing, dividing, and delivering goods from producer into the hands of consumers; in short, they include all costs that accumulate in addition to the manufacturer's, or producer's, cost of production; and, in this broad meaning of the term, distribution also includes the producer's own selling costs, as well as all the costs incurred by any outside distributors who handle his goods on their journey from producer to consumer.



When we realize how many distributing activities there are, as shown in the accompanying chart, in order to complete an exchange of goods between producer and consumer, including the financing of sales and collections from beginning to end, as well as all other distributing activities above charted; when we take into consideration all costs of all the activities in the process of dis-

tribution, in the broad meaning of that term, we can readily see why it may, in some cases, cost more to distribute goods than to produce them. We can also see the scope of the problem of reducing the costs of distribution.

Distribution Is, in Reality, Production. But the fact that it sometimes costs as much, or more, to distribute goods as to manufacture them must be viewed by management in the light of our economic analysis of what, fundamentally, constitutes production. Early in our study of economic fundamentals we saw that goods are not fully produced until they are ready for consumption in the hands of consumers—that the jobber and the retailer, for instance, are engaged in productive activities.

Whereas the manufacturer produces form utility—to the raw materials he adds power to satisfy wants primarily by changing their *form*—the jobber, the retail dealer, and other distributing agencies also add utility, or power to satisfy wants, by changing primarily the *place* and the *time* that goods are made available to consumers.

Thus the distribution of goods, and of services, is in reality a productive process. But for business purposes, it is well to separate productive processes into—

1. Those activities which result in adding form utility, and call them “production.”
2. All those activities ordinarily included in the process of transferring goods or services from the ownership and possession of one party into the ownership and possession of another party, and call them “distribution.”

However, when we appreciate the fact that the distribution of goods and services is a productive function in business, we can better understand the necessity of the part played in the business world by the many so-called middlemen.

When Higher Distributing Costs Mean Lower Prices. Costs of distribution were lowest when producers found

their consumer markets in their immediate localities. But with the development of power machinery and better means of transportation and communication came wider markets and large-scale production, and, necessarily, higher costs of distribution. Against these higher distributing costs, from the viewpoint of the welfare of consumers, must be set the lower costs of large-scale production. Notwithstanding the higher costs of distributing goods under large-scale production, the price paid by consumers for these goods has in many cases been greatly lowered.

As a matter of fact, costs of distribution themselves are often lowered as the scale of production increases. This is illustrated by the case of one manufacturer who started about ten years ago to manufacture in his own home a salad dressing which he sold to people in his own town. He would mix up a batch of his product, pack it in bottles, paste on labels, then go out and sell it to his neighbors. Soon he began selling it to several local grocery stores who were glad to handle a good article of established and growing demand. The manufacturer then referred his retail customers to their grocer and gave nearly all his time to manufacturing. His price discount to grocers was less than it had formerly cost him to do his own distributing.

By using the retail grocer as his distributor he freed himself from a function that had to be performed by someone—that of selling and delivering his product to individual homes. Instead of selling and delivering single bottles to individual consumers, he sold and delivered dozens of bottles at a time to each grocer about once a month. These bottles then were entered as one of several items in the regular deliveries of the grocers to their customers. And the cost of distribution in this manner was less than it would have been had this manufacturer himself continued to deliver his product direct to consumers. He was a better manufacturer than distributor,

**THE PRINCIPAL AGENCIES OF DISTRIBUTION
INCLUDE****A. Those which buy and resell the goods:****1. Wholesalers and jobbers:**

- (a) Local wholesalers and jobbers, who sell only in local territory, as in the case of many of the smaller grocery and hardware wholesalers.
- (b) General wholesalers and jobbers, who sell in a relatively wide expanse of territory—national or even international in some cases.

2. Retailers:

- (a) Local retail stores.
- (b) Chain stores.
- (c) Retail mail order houses.
- (d) Wagon retailers, who sell and deliver at the doors of consumers.
- (e) Canvassers and peddlers, who also sell at the doors of consumers, but who may or may not deliver the goods sold.

B. Those which sell on commission:

- 1. Manufacturers' agents, who may sell all or part of one or more manufacturer's outputs. These agents are sometimes called "factors," as in the cotton industry.
- 2. District sales agents, who control the sale of one or more products or services in prescribed territory and pay their own operating expenses.
- 3. Commission merchants, who accept shipments, usually on consignment, and sell to retailers or users—in most cases to retailers. They are an important factor in distributing agricultural products.
- 4. Brokers, who bring together buyers and sellers, as in the real estate business. Stock and bond brokers and grain or cotton brokers may also buy and sell as well as bring buyers and sellers together.

Any one or more of the above distributing agencies may be used by a producer or owner in the sale or resale of his goods or services. The list is not complete, but it includes the principal agencies of distribution existing outside the producer's own selling organization; and one or more of these agencies are used by the producer who does not sell all of his output direct to consumers or users. Agencies of distribution to foreign countries are treated later in this manual.

anyway. To-day his product enjoys wide distribution, and the price to consumers is about the same as it was at the start of his business when prices in general were much lower than they are to-day.

The Right Attitude toward Distributors. Thus it is not necessarily true that the fewer are the hands thru which a product passes on its route from producer to consumer, the less is the cost of distribution. Sales management is open-minded on this point, realizing that in the long run all special parts of our whole machinery of distribution were established in response to a need for them as a means of performing necessary distributing functions at low cost.

The right attitude toward distributors requires appreciation of the general economic tendency toward getting things done at the lowest cost, and of the part played by specialization in doing this.

This means that sales management cannot arbitrarily rule out of consideration the use of such specialists as retailers and jobbers simply because their costs of doing business, plus a profit on the service they render, must be included in the price paid by consumers; neither will sales management fail to consider the use of other than the established and customary channels of distribution in its particular industry or trade.

Efficient management of sales acknowledges its responsibility, in great measure, for all costs sustained in distributing its product to consumers; and it knows, as before pointed out, the advantage gained by a low cost of distribution. Let us remember that—

Other costs remaining the same, the lower the cost of distribution, the lower the consumer's price can be made; and the lower this price is, the larger the number of buyers who can afford to buy.

The manager of sales, therefore, is vitally interested in how his product or service travels to consumers—whether

lower distributing or better service costs would accrue by using a shorter, or a longer, route, and how to lower costs at every stage of the journey.

FINDING THE RIGHT DISTRIBUTING CHANNELS

How can we find out whether or not we are using the right distributing channels? How can we know whether any outside distributing agency should be employed?

In the distribution of certain products the sale of which, to users or consumers, requires creative and educational salesmanship—as in the case of addressing or adding or computing machines and many other automatic devices designed to do special work for which the need is not readily recognized by the users or consumers—distribution is usually direct from producer to user or consumer, without the use of any outside distributing agency. In such cases, so vital is the matter of employing the right kind of personal salesmanship to users or consumers that the manufacturer usually cannot risk the delegation of sales to any outside organization or to agents whose selling methods he cannot control. In some cases, also, the problem of giving the buyers good service, repairs, replacements, etc., makes direct selling and service advisable.

For the same reason—that is, the high order of salesmanship required—a manufacturing concern will sometimes gain by having a separate selling company responsible for sales. Separate selling companies are also often operated to meet the demands of local state legislation, and to save taxes on capital employed in production.

The Plan of Appointing District Agents. In some cases a manufacturer appoints district agents, granting or selling them the exclusive right of sale on his product in prescribed territories, and requiring each district agent to distribute a fixed minimum quantity of the product in order to retain his selling rights or franchise. Air dryers

(a substitute for towels), automobiles, washing machines, and many other products are sold thru such agencies.

This plan gives the manufacturer less control over the selling methods employed, but it has the advantage of requiring relatively little capital in financing sales; also it may give the manufacturer the service of experienced salesmanship ready at hand, saving the time that would be required to build up his own selling force.

Sometimes, however, the use of independent district agents is not advantageous, as in the case of a manufacturer of an improved type of gasoline pump for filling stations. This manufacturer at first sold district selling franchises in certain territories. In other territories, he used his own salesmen. He found that his own salesmen, under the close supervision of a live sales manager, were able to get more than twice the sales volume secured by his district agents in similarly good territory, and that his cost of selling thru his own salesmen was about half as much as in the territory "owned" by the agents. He therefore gradually eliminated his independent district agents.

Thus one method, tho not a good one, of finding out what are the best distributing channels is by trying them out. A better method is by analysis of the requirements that must be met in securing low-cost distribution to consumers, and then determining whether or not outside distributing agencies can be profitably used in meeting these requirements, remembering, of course, that the best method for one company may not be best for another company selling a similar product, depending upon differences in the ability of sales and advertising management, financial strength, producing costs, terms and prices, etc.

When Retail Dealers Can Be Employed. Usually, if the product is hard to sell to consumers, whether because competing products are entrenched in the market or be-

cause the need or desire for the product is undeveloped, it is necessary to distribute direct to consumers or users rather than to try to use established distributors. But in some cases of hard-to-sell products, particularly if the percentage of sales to calls is low and if the sale, when made, is small in amount, sales cannot be profitably made by salesmen direct to consumers.

An improved device for opening containers—a single device that could be used in opening cans, bottles, and boxes—was made by a small manufacturer who specialized on this one product. For a year or so this manufacturer sold his patented product direct to housewives thru canvassers. But the device was so simple in appearance that 25 cents was considered a good big price for it by the housewives. Furthermore, each housewife already had a can opener of one kind or another. The agent's profit on sales, altho it was half the selling price ($12\frac{1}{2}$ cents each), proved to be too small to keep all but two or three of this man's agents at work for him; and, at his small volume of production, his costs of production were close to his selling price to agents. Add to this his cost of securing selling agents and it is easy to see how he lost money on his first year's operations.

How He Began to Use Retailers, Then Jobbers. It so happened during this first year that the wife of a man who had broad training in salesmanship bought one of these devices. This man thought he saw in the opener a product that merited wide distribution. He saw the manufacturer and persuaded him to try out in a small way a plan of distribution thru retailers, using local newspaper copy. The manufacturer himself called on the dealers, including some grocers as well as hardware and variety store dealers. He got many of them to carry a small supply of his product, and then he ran his advertisements, using only three-inch single-column space; but he had the kind of layout and copy that got atten-

tion. He was able to give to most of the dealers better than their average of gross profit, and they liked to sell this "Open All," as it was named.

A combination of mail order and "go-to-your-local-dealer" advertising copy, using very small space, was then run in certain women's magazines, along with a direct advertising campaign to dealers. A year or so later this manufacturer began to get inquiries from jobbers, whom he was glad to supply at the usual jobber's discount. He found that he made more net profit by selling his product in gross lots to jobbers than by selling in dozen lots to retailers. The jobbers had become interested, however, only after they received orders for this product from retailers.

The Functions of Retail Dealers. In deciding upon the use of retail dealers—to be supplied, perhaps, partly or wholly thru jobbers—analysis of the function of these distributors is helpful.

What the retailer does to earn the profits he makes is plain. Take a retail grocer or a retail hardware merchant. He carries a stock of goods intelligently selected and conveniently located and displayed. A large number of local consumers may get what they want in his line of goods when they want it and in the quantity desired, without delay, and at a fair price, as compared with the cost of getting the same goods in the same quantity at any time by a more direct route from the producer or manufacturer. The local retailer can also sell on credit to consumers, and he can render personal service, such as adjustments of complaints, on the spot.

While a retail store is particularly serviceable in supplying goods which consumers prefer to buy often and in very small quantities, it can at the same time supply many things that may be purchased infrequently by any one consumer or in relatively large quantities; and it can supply, at low cost for its service, many things that

could be purchased direct from manufacturers or producers if consumers cared to take the trouble and expense to buy them direct. But, in nearly all cases, consumers would find the total cost of these goods, including freight, local delivery (or express or parcel post), risk of loss or damage, and so on, to be higher than the price charged by retail stores. In buying direct, consumers must nevertheless pay for many services which, otherwise, would be paid for by distributors.

Because the retailer supplies many different items, his overhead costs per item are relatively low. Because he buys in large quantities as compared with quantities bought by individual consumers, his transportation costs are relatively low.

Retail mail order houses have many advantages in common with retail dealers, while each of these types of retailers has some advantages compared with the other. The cost of exchanges and refunds is usually greater in the case of the mail order house. But the retail mail order house, if it is a large one, can usually buy in larger quantities than the retailer, even taking the entire outputs of some factories. The retail store, however, is more convenient for consumers in many ways, except for those consumers who find it difficult to get to the retail store. It gives the advantage of personal choice by actual inspection of merchandise before the purchase; and it can more conveniently and safely extend credit to its customers. Certainly there is a place for both retail stores and mail order houses among distributing agencies.

What has been said about retailers in general applies to chain stores as well as to "independent" stores. The chain store, however, may offer the producer larger orders and wide distribution.

The Functions of the Wholesaler. The relation of the jobber or wholesaler to the retail dealer is in many ways

similar to the relation of the retailer to his local consumer.

Wholesale houses make possible the operation of the retail store on a smaller total average stock of merchandise in relation to sales volume. By using the jobber, the retail grocer, for example, can, in the same amount of store space and with the same amount of working capital, carry a greater variety of items, or he may reduce the space used.

The wholesale house makes possible a more rapid stock turnover in the retail store.

If it were not true that the costs of distribution are lower when goods of many kinds, which consumers are in the habit of buying, are routed thru wholesalers to retailers, there would be no wholesalers. Business men and consumers, most of whom exercise fairly good business judgment in their purchases, are naturally quick to take advantage of any available means or methods of buying the goods they need and must have, *at less cost*. Habit or inertia, such as the habit of buying many things in local retail stores, or the retailers' habit of buying many items from the wholesale houses, would soon give way if the consumer or the retailer found that he could really gain an advantage, by dispensing with the services of the local retailer in the case of consumers, or by buying all his goods direct from manufacturers or producers in the case of retailers.

The fact is, of course, that most retailers find greater advantage in buying some things direct from producers or manufacturers, and in buying other things thru the wholesaler. In any particular case the manager of sales must know whether there is a real advantage to the retailer, and consequently an advantage to the consumer, in buying direct or in buying thru a wholesaler. Here we get back to the general principle of the management of sales that lies embedded in the comparative costs of

different methods of distributing goods or services, as follows:

In general, sales management will choose that channel of marketing which serves to attain the desired sales volume and distribution to consumers at the least cost.

In following this principle, sales management will sell direct to some, or all, retailers if thereby the cost of getting the desired volume of its goods or services into the hands of consumers is lowest, including consideration of the cost of facing the antagonism and resistance of wholesalers or jobbers.

Costs Largely Control the Method of Distribution. Whatever method, or methods, of distribution that will give the desired volume of sales to users or consumers at least cost is the method that ought to be used. That is the principle underlying the solution of this important problem. At bottom it is primarily a question of cost, and this fact, incidentally, reveals the great importance of knowing how to figure costs.

Comparative costs of different available methods of distribution should be accurately figured—and used as a means of determining the best marketing channel.

A manufacturer of, say, aluminum-ware cooking utensils, may sell direct to consumers or direct to retailers or thru wholesalers; using any one, or two, or all three of these marketing channels. His manager of sales has the problem of moving the output *into the hands of consumers*. If it is found that the output can be moved on into the homes of consumers most economically by selling to wholesalers and letting them supply dealers who in turn supply housewives—who, perhaps, are led to buy this brand of aluminum ware as a result of effective national advertising—then the output should be sold thru wholesalers to dealers. But if some dealers can be sold direct more economically than thru wholesalers, then that route to those dealers should be used; and if some consumers

can be sold direct more economically than thru dealers, then those consumers should be sold direct, unless the opposition of jobbers and dealers to this policy is such as to cause the loss of their co-operation, with a net increase in distributing cost or a decrease in sales volume, which adversely affects profits.

In the early stages of the development of a business, house-to-house agents or canvassers may prove to be the most effective way of introducing a branded line of merchandise to consumers, to be supplied later on by the local retailer, who later on, in turn, may be supplied by his local jobber, if the use of these distributors then proves to be most economical. But if the use of these distributors should necessitate a higher price to consumers in order for the manufacturer to get a price for his product from the distributors sufficient to pay him his customary profit, then selling thru those distributors would mean an increase in distributing costs, in violation of the cost-control principle as applied in solving the distributing problem.

But if there is strong resistance of dealers against the known custom of the producer or manufacturer to sell not only to dealers but also direct to consumers, either by mail or by canvassers—if this resistance is strong enough to cripple sales to dealers and to increase combined cost of distributing the desired volume of sales thru both these channels, then, of course, one or the other distributing channel, whichever is the more economical, should be used exclusively. And it is usually necessary to make such a choice.

The Basic Principle Involved. This problem of determining distributing channels is clarified if we remember that the cost of distribution embraces the whole of the difference between (1) total manufacturing cost plus manufacturing profit, and (2) the price paid by consumers. This, as previously explained, defines the cost of

Some Factors Which Enter the Cost of Distribution

1. Salesmen's and salesmanager's salaries, commissions, and expenses.
2. Advertising space, literature, and agency service.
3. Stationery, stereographic, and administrative expense.
4. Trucking, transportation, and packing of products.
5. Effective aids to distribution such as dealer helps and constructive instruction.
6. Inefficiency or waste on the part of management.
7. Research and experimentation.
8. Restrictions of any kind which prevent the choice of the low money cost method of distributing.
9. Degree of salesmanship necessary to convince the prospect of his need and to get him to buy.
10. Intensity of competition which must be met.
11. Any unwarranted prejudices the consumer may have in regard to the product.
12. Abuses of privileges by the consumer, such as abuse of the return goods habit.
13. Any special service required, such as the extension of credit.
14. Consumer "ignorance" as to standards of quality and the like.

distribution in its broad meaning of all distributing activities, including the manufacturer's own selling costs, all expenses incurred, and all profits taken by all outside distributors; also any costs of transportation and cartage to the door of the consumer, whether or not paid for directly by the consumer.

The best distributing channel is that which, in the long run, accumulates the least total of distributing expenses, and enables the manufacturer to get his desired volume of sales.

Let us remember that if the costs of getting the desired volume of sales to consumers can be reduced by shortening, or by lengthening, the distributing route or channel, and if other expenses are not thereby proportionately increased as much as selling costs are decreased, then the

marketing channel should be either shortened or lengthened accordingly. Economy is the main controlling factor.

Variation in Using Distributing Channels. The manager of sales may find the lowest cost of distributing his output in the use of one marketing channel at one time and another at another time, if conditions change; or he may use one channel in one part of his market and another channel in another part, if trade practice will permit.

The Addressograph Company and other office-appliance manufacturers sell direct to users thru their salesmen, except in certain far-away states where they sell to agents with exclusive reselling rights in those parts of the country. There are many firms which sell, with certain limitations, both direct to users and thru distributors. The Yale & Towne Company, manufacturers of Yale locks, sell opening accounts direct to retail dealers, but reorders are supplied by the wholesalers. The Campbell Soup Company sells to jobbers only, or on account of jobbers, turning over the orders secured directly from a dealer to his local jobber. Both employ general advertising to stimulate consumer demand.

Always in every case, the line of development in distributing goods or services of all kinds should be consistently in the direction of lower costs of distribution, as this term is broadly defined.

Distinctions between Various Distributors. Many kinds of specialists are active here and there in the work of distribution. In addition to retailers and wholesalers, there are manufacturers' agents, commission merchants, brokers, consignees, *del credere* factors, and so on. Let us briefly consider some of the technical distinctions between these specialists.

The term "agent" is used in a general sense to designate any person thru whom a principal acts in negotiat-

ing a contract. In a more restricted legal sense, an agent acts only for one principal or employer. But manufacturers' agents may represent one or more manufacturers in specified territory.

A broker, on the other hand, is more strictly a middleman. He does not have the fiduciary relation of the agent to his principal. The broker represents both parties in effecting exchanges of property—such property as real estate, insurance, foreign and domestic exchange, stocks and bonds, bills and notes; also merchandise, as in the distribution of many canned foods. A broker, as distinguished from an agent, is supposed to favor neither one nor the other of the parties between whom he effects transactions. As a rule, he merely brings together the contracting parties; but, if authorized, he makes the contract for them.

Like the broker, a factor may act as an agent for any principal, or more than one, who has goods to sell in his line; but, unlike the broker, the factor is usually intrusted with the possession, disposal, and control of the property which he is to sell, and he may sell it in his own name; that is, he need not divulge the identity of his principal. A factor has possession of his principal's property. Factors in the cotton industry, for example, have possession of mill products, and they may have for sale the products of more than one mill.

In practice, these technical distinctions in terms are not always observed, and there are no important distinctions in some cases. The term "commission merchant," for example, is practically synonymous with a factor to whom goods are consigned for sale on commission. Commission merchant is a term commonly used in the sale of farm products, particularly fruits and vegetables.

The term "consignee," in a technical sense, is also a factor to whom goods are consigned for sale in about the same way as to a commission merchant.

The term "*del credere factor*" designates the kind of factor who guarantees the credit of those to whom he sells. He is an agent who is financially responsible. A manufacturer's territorial distributing agent who contracts to pay the manufacturer the price of all goods he sells if his purchasers fail to do so, is a *del credere factor*.

In foreign trade the term "supercargo" is used to designate a factor employed to accompany a cargo, sell it at the point or points of destination, and in some cases use the proceeds from the sale to purchase a return cargo of goods.

Such are the principal kinds of agencies employed in distribution in addition to jobbers or wholesalers and retailers, who are merchants; that is, actual buyers and sellers of merchandise *on their own accounts*. There seems to-day to be no real distinction between jobber and wholesaler.

THE PRINCIPLE OF FREEDOM FOR IMPROVEMENT

Thus, specialists of many kinds are employed in distributive functions. When cotton is picked and baled ready for shipment, it then passes thru many hands before it is finally placed in use as, say, a dress worn by the ultimate consumer. All activities which change its *form*, in its progress from the cotton fields to sewing machines in the dress factory, are manufacturing activities. All other activities in the long journey of the raw cotton to the point of consumption are distributing activities.

Management of sales covers this wide range of distributing activities. It is responsible for the movement of its product to consumption, whether its consumption is in the home or in the factory or office, thru, as well as into, the hands of any distributors who add *place* and *time* utilities before the product reaches the point of consumption.

In concluding our analysis of distributing channels, let

us develop a general principle which applies in handling almost any manufacturer's or producer's sales problem—that of having at hand alternative channels of distribution—as follows:

A business should have freedom to employ at any time some other route or avenue of distribution than the one employed, and should change when it is found that another distributing avenue will, in the long run, accomplish the desired distribution at lower cost.

It is usually unwise to let the distribution of a product be tied up tight to any one plan, method, or agency of distribution. The general principle of management here involved is that of freedom for improvement. All management should keep the gate to improvement wide open everywhere in the business.

* * * * *

Our analysis of selling activities and of distributing channels requires attention also to the customary means and methods employed in distributing goods to foreign markets. This matter, of growing importance, is treated briefly in Part III of this executive manual. Every sales executive must be alive to all his possible markets the world over. Sales volume has suffered in many cases because no one in the organization understood how to develop a foreign market. Part III tells how to do this.

ANALYZING SELLING ACTIVITIES

Part III

DISTRIBUTING TO FOREIGN MARKETS

THE requirements in managing foreign sales are different from those in managing domestic sales, because distributing methods and customs in foreign lands differ from those of this country and vary, also, from country to country. Yet the practical considerations in distributing abroad are similar to those in domestic distribution, as follows:

1. Nature of markets.
2. Selecting proper trade channels.
3. Securing inquiries and orders.
4. Handling the order.
5. Shipping documents and directions.
6. Finance and credit relations.

Selecting the Foreign Market. In selecting a foreign market to be entered—European, Oriental, Australasian, South American, etc.—careful analysis of the various possible markets comes first. Among important matters to consider are population, geography, physiography, climate, and habits and customs of the people. The aim is to pick the foreign market which offers the best opportunity for sales at low cost of selling. China, for example, with its dense population of people with small incomes, is a large market for many low-priced articles; while many parts of South America are now rapidly developing small manufacturing plants, and are, therefore, good markets for machinery of one kind or another.

The Means of Selling Abroad. Next, it is necessary to understand the various means by which foreign sales can be made. These are:

1. Trips by sales manager or salesmen.
2. Branch houses in foreign lands.

3. Traveling resident salesmen in foreign countries.
4. Export commission houses with foreign branches.
5. Foreign import commission houses.
6. Foreign wholesalers, jobbers, or retailers.

Special trips by sales managers, salesmen, or other special representatives are too expensive except where single sales to foreign buyers are fairly large in money value and unless the trip is made to establish a branch sales office or to make a connection with an import commission house located in the foreign country. These houses contract to sell goods on commission to dealers, users, or consumers in their countries. But we may be able to secure satisfactory foreign distribution by using an export commission house located here in this country, which can get distribution for us thru its own foreign sales offices.

There are many export commission houses in our larger port towns, some with branches at our larger inland cities; while all important commercial countries have import commission houses, which usually provide good service to those who want distribution in their countries. They know their markets and can give many helpful suggestions concerning packing, labels, adapting products to the needs and desires of buyers in their countries, etc. Export commission houses may also render equally good service, particularly so if they maintain distributing organizations of their own in the foreign country in which distribution is desired.

Care in Choosing Foreign Sales Agencies. Whatever the kind of agency chosen to facilitate foreign sales and shipments, its business reputation, its integrity, and its willingness and ability to push the sale of what is exported must be carefully investigated, particularly so if the commission, jobbing, wholesale, or retail establishment to be chosen is located in the foreign land.

It is generally advisable, however, for a producer to sell and distribute his goods thru his own agencies—as thru

his own foreign branch sales offices—in case the sales volume is large enough to warrant the expense of getting and handling the business. But if it is advisable to make a connection with an import commission house, we must make sure that the house chosen knows the market we want to reach and how best to reach it on our product. We must make sure that this house is both able and willing to push sales on our product, remembering that a commission house will more likely do this if it handles our product exclusively among competing goods. Should a foreign commission house handle goods in direct competition with ours, it may, for one reason or another, prefer to sell the competing line of goods.

It is always best to require a foreign distributor to sell our line exclusively, if he is given exclusive sale of the line in his country.

Personal selection, in the field, of the best foreign distributor is usually advisable. This selection is best made by having a responsible and qualified member of the organization go abroad for that purpose.

Securing Foreign Sales by Mail Order. Much of the business secured in foreign lands comes as mail orders direct from users or from foreign wholesalers or retailers who buy on their own account for resale rather than on the commission basis.

Foreign sales, like many sales at home, may in many cases be profitably developed by mail sales promotion. The first object is to secure inquiries; then to follow up these inquiries and turn them into orders. Advertising in foreign publications is becoming a greater and greater factor in securing inquiries in foreign markets.

Ingenuity sometimes plays an important part in developing a foreign market. One American cigarette exporter has an unique method of sales promotion in the Chinese market. The burlap coverings which were placed around his export shipments were so designed that they could

be easily converted into coats by merely cutting a few stitches for armholes and neck. These were given away to the native laborers. Brilliant advertisements of this cigarette appeared on the front and back of these coats, making a sort of walking billboard of those wearing them.

ATTENTION TO CONTRACTUAL DETAILS

In securing the foreign order great care must be exercised in drawing up the contract. The customer is so far away that the specifications must be "air tight" in order to avoid misunderstandings or misinterpretations, and consequent disappointments. The quality, grade, volume, weight, measurements, packing, marking, shipping, documentation, and credit terms must be clearly specified in terms which are mutually understood and interpreted to mean the same things. Such abbreviations as F.O.B. (Freight on Board), F.A.S. (Free Alongside Ship), or C.I.F. (Cost, Insurance, and Freight—included in the price), and so on, may mean one thing to the American exporter and another thing to a customer in Cape Town, Singapore, or Cairo.

Requirements in Filling Orders. In filling the foreign order, the most important requirement is complete compliance with all the specifications called for. In the event that this is impossible, a substitute can seldom be safely forwarded with the explanation that "this is just as good." The seller and purchaser usually live under such widely different conditions that the purposes for which the article is to be used cannot be anticipated.

Substitution without permission is dangerous in the domestic market, but should be entirely avoided in supplying foreign markets.

Sales management is even more interested in having its orders from foreign customers well handled than in the case of domestic customers. The requirements in many ways are more exacting. The exact catalog num-

ber or trade-marked article called for must be furnished; and in the event that this cannot be done, the matter should be taken up by cable or letter, the method of communication depending upon the value and urgency of the particular order.

A Chinese firm ordered a trade-marked brand of lead pencil from an American manufacturer. After filling the order and sending it to Asia, this manufacturer was surprised some months later to have it returned with the explanation that the goods were not as ordered. The trouble was in the stamping of the trade-mark on the pencil, only half of the trade-mark having been printed; and the Chinese firm, having learned to gauge quality by the trade-mark, believed that a different brand had been shipped, since only half of the "Eagle" was visible.

Among the various details that must be carefully watched in handling an export order are the following: packing, marking, documentation, domestic rail freight, steamship routing, cargo booking, ocean freight, and terminal handling. This list could be greatly extended. It illustrates the extent and diversity of the problems encountered.

Finance and Credit Relations. Altho considered last, the matter of financing export shipments is of considerable importance in sales management. In fact, the finance and credit arrangements entered into with the foreign distributing agency or customer are matters that must be investigated before closing an order.

There was a time when America was accused of not furnishing long-term credit to overseas purchasers. That time has passed; but even when the criticism was made, it was largely unjustified. American export houses, in extending their markets, have never, to any great extent, had to extend long-term credit to their overseas buyers in order to secure business. This requirement has been overrated. However, the credit of the foreign buyer

must be investigated most carefully. There are many ways and avenues thru which credit information on foreign purchasers may be secured, and this is no longer a great problem.

The most common method of financing an export shipment is by opening import credits. This is done by having the purchaser secure letters of credit. A draft is attached to the shipping documents, which are sent to the bank mentioned in the letter of credit. This bank forwards them to its overseas correspondent. The foreign purchaser is notified, and he picks up the documents after paying the draft; and these documents permit him to get immediate possession of the goods.

In the United States, several hundred exporters have formed a co-operative exchange of credit information, which covers many thousands of importers in foreign countries, principally in the Orient and South America, as well as Australia. This organization is called the American Manufacturers' Foreign Credit Insurance Exchange. Insurance is provided against certain kinds of credit risks.

Foreign Markets Differ from Domestic Markets as a Result of Differences in—

1. Customs of the people, such as prejudices against or preferences for certain forms or kinds of product.
2. Regulations of government to which commerce must conform.
3. Customs of the trade to which merchants are accustomed—such as types of package and terms of sales.
4. The attitude with which certain practices are viewed—business ethics.

THE FOREIGN V. THE DOMESTIC SALES PROBLEM

Apart from technical differences in handling the orders, the basic problems of managing foreign sales are the same as in managing domestic sales—selecting the best

selling methods and the best channel of distribution, and directing those methods in using that channel in the manner that yields the best volume of export sales at the least cost of distribution. The same brand of good salesmanship, based upon the application of sound psychological principles, as set forth later on in Executive Manual 20, is as effective in foreign lands as it is at home.

Some of the problems of sales management, however, are more difficult to solve in working foreign markets. Study of the market in relation to the product is more difficult. Adaptation of the product to the special requirements in the foreign market is more imperative. Competition must be watched closely, particularly the competition of any foreign manufacturers or producers who are led into the field in their own countries—who have the advantage of lower transportation costs in supplying their native customers; also, perhaps, lower labor costs. In such cases, management of foreign sales may have to insist on the establishment of manufacturing branches in certain foreign countries. This is often advisable, of course, even when the manufacturer is otherwise adequately protected against any native manufacturing plants in his line of business. Sometimes foreign branch factories are established primarily as a safeguard against the development of foreign manufacturing competition.

The United States Department of Commerce, Bureau of Foreign and Domestic Commerce, supplies to those interested very definite information of many kinds that helps in developing foreign markets, including facts about what is wanted in foreign lands. All this information, for the most part, is supplied free of charge.

The choice of the means or methods of selling and the channels of distribution, whether at home or abroad—as covered in preceding pages—are, in part, matters of

sales policy. But usually the term "sales policy" means the laying down of a definite method of dealing with particular cases which call for decisions; that is, a sales policy indicates what can and cannot be done and what should be done in the firm's dealings with the market. Sales policies really concern such matters as price, territorial rights of sale, exclusive agencies, backing up the quality of goods sold, etc. The more important matters of sales policy, including means and methods of effective co-operation with marketing agencies outside the direct control of sales management, such as jobbers and retailers, will be covered in Executive Manual 19. First, however, further develop your application of the important principles of sales management that have been presented in this manual by using the following check-up and by working out Executive Problem 18, which follows. Then, in Executive Manual 19, you will develop your understanding of business policies as such while studying sales policies in particular. The man whose work or department is guided by the right fundamental policies has an advantage. He can get along better with his associates in business who know that sound policies back up his judgment. You will begin to get acquainted with sound policies in Executive Manual 19.

CHECK-UP ON PRINCIPLES

Use the following check-up to get the principles of this manual firmly fixed in mind. This will help you to handle the problem which follows. This check-up is entirely for your own personal use, so you need not send it in to the University.

	Check	
	Yes	No
1. A wholesale egg dealer who did a profitable business among grocery stores would not sell to individual families, not even those living near his place of business, because the compensation was not sufficient for the effort involved. Do you think the wholesaler's policy could have been wise?		
2. In a concern selling adding machines the sales manager had an idea that the advertising department was not giving him proper support. To show what effective co-operation he was giving, the advertising manager called attention to the great number of "leads" which had come in from coupons at the bottoms of the advertisements. Did this prove that the advertising department was effectively helping the sales department?		
3. Of two hosiery manufacturers one gained distribution through jobbers and retailers and the other sold direct from house to house. The quality was the same and the price to the consumer the same. Does this necessarily mean that the manufacturer who sold direct made a greater profit?		
4. The sales manager of a high-class magazine who had charge of a territory in an exclusive residential district had each salesman expensively dressed and fitted out with a cane. Wasn't this boosting the cost of sales excessively?		
5. "The fewer the middlemen, the cheaper the cost of distribution." Is that an accurate line of thought?		
6. A certain sales manager in the soap line was in despair. His firm had not been making money. The margin of gross profit was just sufficient to meet expenses. An assistant suggested that it might help to cut prices, but the manager would not hear of it because profits were already inadequate. Was the sales manager justified in taking this position without investigation?		

	Check	
	Yes	No
7. The general manager of a musical instrument company long remained undecided about the sales policy he should follow and finally voted against direct distribution to the user solely because other machines in the same class were sold at lower prices by the retailers. Was that reason alone sufficient for so deciding?		
8. The salesman of a filing system, possessed of an attractive personality, showed very convincingly in his attempts to sell how easily the system worked and demonstrated certain advantages it possessed over other systems. He felt that he had done all that was necessary to insure making a sale. Had he?		
9. "Your car may be very beautiful and it may be better than other machines, but I don't need a car," said the automobile prospect. Does that statement indicate no chance of selling?		
10. The sales manager of a meat packing house with wide distribution was convinced it was necessary to secure a local man as salesman in each territory. Is such a requirement essential in choosing salesmen?		
11. A druggist, who was discussing the relative merits of ordering from a jobber or a manufacturer, said that he personally preferred the former because he could order in smaller lots and get quicker deliveries so that even tho the price was sometimes higher than from the manufacturer, still he made more profit because of quicker turnover and smaller investment involved. Is it quite likely this druggist had analyzed his situation correctly?		

Executive Problem 18

"WHAT'S THE BEST WAY TO SELL THIS?"

Choosing the Plan of Distribution UNDER THE LASALLE PROBLEM METHOD



THERE may be one best way at the present time for one particular business concern to sell a product or service. But changing conditions and constant development may make another way the best way. So it pays to study different methods, to know how to analyze conditions and weigh the various market factors. Otherwise how is a business going to keep abreast of the times?



Prepared by the Research and Consultation Staff of LaSalle Extension University from an interesting problem which it has carefully investigated and analyzed.

Executive Problem 18

"WHAT'S THE BEST WAY TO SELL THIS?"

There is hardly a more fascinating question in business than that of our title. Whenever you find two or three sales executives "talking shop," you can be pretty sure it is some phase of this broad question which they are discussing. "You do this and it will sell better," one will advise the other. "Jones certainly made a mistake when he cut his advertising," begins another. The question is so constantly up for consideration because conditions are so constantly changing, and also because there are so many angles to consider.

You have in this problem to decide, "What's the best way to sell the Sweet Edge Safety Stropper?" You are still sales manager of the Jones-Johnson Company, manufacturers of hardware specialties, just as you were in Executive Problem 17. In that problem you worked out some details to follow in selling a vacuum bottle by the company's usual method of distribution thru jobbers to dealers and thru them to the users. In this problem circumstances are such as to raise doubt whether that plan is best. You will find it very interesting to follow the factors which will enter into a decision on the best plan to sell this stropper, and you will easily see how the principles used here can be used to decide this question in extremely varied situations.

Your company has recently been approached by the inventor and patentee of a new razor stropper. It has been given thoro test and has stood up well. It has some unique selling points which will appeal to the public. The feature which appeals most to the Jones-Johnson Company, however, is the ease with which it can be manufactured from stamped metal parts, with a minimum of labor cost.

The inventor of the new stropper prefers to sell his patent for a lump-sum price, which is regarded as fair, since the manufacturing cost on the new stropper, including all overhead, will be only about \$1.12. Of course, if the Jones-Johnson Company does not buy this patent, it will be offered to and will probably be purchased by some competitor.

If these were the only facts to consider, the company would have had no difficulty in deciding to buy the patent and to manufacture and distribute this safety-razor stropper in the same way as the rest of its line. But there is already a safety-razor stropper in the line, the Jones Razor Stropper. This also is patented and the contract with the inventor, which still has five years to run, calls for

payment of a royalty on a certain minimum number of stroppers each year.

This stropper sells to the user at \$4. It costs \$1.69 to manufacture. This cost includes the royalty paid to the inventor, and all the manufacturing overhead. This stropper is sold to the jobber at 40-10 per cent off list, or \$2.16 net. The jobbers sell it to the hardware trade at one-third off list, or \$2.67 net. This specialty has been selling consistently and is a fairly profitable item in the Jones-Johnson line. The cost of manufacturing the Jones stropper has increased, however, during the past ten years, since the proportion of labor that goes into it is high, and wages have increased. Yet the company has hesitated to increase the selling price, since competitors' prices have not been increased.

To add the new stropper to the regular line will certainly affect the sales of the Jones stropper, for the talking points of the new stropper will induce a portion of the public to buy it when it is offered side by side with the Jones stropper. It might be profitable to abandon the Jones stropper and to pay the minimum royalty to the inventor; yet the company hesitates to do this, not only because the reputation of the Jones stropper is well established and its sale shows a profit, but also because such action would be contrary to the spirit of the contract with the inventor.

It is these complications which have lead to the suggestion that a subsidiary selling company be organized and that the new stropper be sold entirely independently of the Jones-Johnson line for five years until the patent and contract on the Jones stropper expire. At the end of the five-year period, should it then seem desirable, the new corporation could be dissolved and the Jones-Johnson Company could distribute the new stropper as part of its own line.

It has been tentatively decided to adopt this course. This will gain control of the new stropper and build up a market for it. The name Sweet Edge Stroppler has been tentatively adopted. The Jones-Johnson factory would manufacture the stropper and turn it over to a selling corporation at 5 per cent above the total manufacturing cost. The subsidiary corporation would have separate offices, but the directors would of course be drawn from the Jones-Johnson organization. Four plans for distributing the stropper were then discussed.

Plan A. Distribution thru Established Trade Channels. This plan called for distribution thru the same trade channels as are now handling the Jones stropper. It is suggested that the price to the user should be \$3.50 so as to give the user the advantage of the lower manufacturing cost. It is realized that the dealer would

expect about the same profit on each sale as on each of the Jones stroppers sold and would, in fact, want more profit to induce him to sell an unknown brand. The discount to the dealer would therefore be 40 per cent, making his net price \$2.10. The jobbers would also want about the same profit per unit as on the Jones stropper to interest them in stocking a new item in their line. It is proposed to give them a discount of 50-10 per cent off list, making the net price to them \$1.57.

This plan was abandoned almost at once, however, for the jobbers and dealers might consider it tricky if they learned that the Jones-Johnson Company was selling a competitive product under another firm name. Besides this, the new stropper would be urged upon the same dealers as were handling the Jones stropper. The sales for the latter would fall off. Also, the selling expense would be high. It would be necessary to have men call on all the dealers to introduce just this one line, and they also would have to sell all the jobbers. It would take time to establish this channel of distribution, and the margin of profit is insufficient to care for all this expense. This plan is therefore dismissed without serious consideration.

Plan B. Distribution thru Drug Stores. This plan is also receiving consideration. Drug stores as well as hardware stores can handle razor stroppers. In fact, the drug store has certain distinct advantages. There are more of them, they are open longer hours, and many customers who rarely patronize a hardware store are constant patrons of a drug store. It has been suggested that the Sweet Edge stropper be sold to the drug trade thru its regular jobbers' channels, to sell for \$3.50, and at the same scale of discounts as in Plan A.

Plan B has distinct advantages. It is open and above board, and it does not put the Jones stropper into direct competition with the Sweet Edge stropper. The executives of the Jones-Johnson Company are not acquainted with the drug trade, it is true, but they have ample experience in this type of distribution, and are acquainted with all its problems.

Attention has already been called to the fact that there are far more drug stores than hardware stores. This tends to make the cost per call for the salesmen who introduce the line rather reasonable.

But there are also disadvantages. It will require considerable capital to build up a sales organization, since it takes time to get the men and to establish these channels of trade.

It will be necessary to train salesmen in the best way to get the druggists to stock the stropper and to help them sell it. These men will have to be on a salary or salary-and-commission basis. It will

cost considerable money before this plan begins to produce adequate sales.

A very large number of products are seeking an outlet thru the drug store. It will be necessary to keep in touch with the druggists constantly by letters, by direct advertising, by ads in the trade journals, and also by salesmen's calls. This is especially true for a device like this which takes a little time and skill to demonstrate to a customer.

All this is being done successfully, however, by many companies, who have found the drug store to be a profitable channel for the distribution of their product.

Plan C. A Maker-to-User Canvassing Plan. A plan of selling the consumer direct thru personal solicitation has been suggested which is radically different. Under it the selling company would deal direct with the users of razor stropplers by having its own commission salesmen make a door-to-door canvass. Under this plan the stropper would sell to the consumer at \$4, the same price as the Jones stropper. The suggested terms are \$1 down and \$3 upon delivery of the stropper to the users by mail C. O. D. The company will sell the stropper to its county representatives at \$2 net cash, and to state representatives in larger quantities at \$1.75. These county and state representatives will appoint and control a large number of agents or salesmen who will receive \$1.50 on each stropper they sell. The salesmen keep the dollar that is paid down when the sale is made, and receive 50 cents when the balance of the purchase price has been paid.

When the plan was first proposed, it met with opposition, for none of the executives had had any experience along these lines. They found, however, that their advertising agency could put them into touch with executives who had conducted similar campaigns. They found also that there was a large force of salesmen and agents immediately available, since in almost every community there are men who make their living by selling specialties of various kinds on some such basis as this, and that these men can be easily reached by "Salesmen Wanted" ads in the right mediums.

They found also that these salesmen were quite often unreliable, that there was a fairly large percentage of "grief" in handling such a force, and that the turnover of salesmen was very large.

On the other hand, the capital required to start the plan was almost negligible. Five thousand dollars would prove ample. Furthermore, the Sweet Edge stropper would be introduced all over the United States, and this introduction would make it easier to turn the sale of the new stropper into the regular hardware channels at some future time.

Plan D. A Mail Order Direct-to-User Plan. The feasibility of selling the consumer thru the mails is also being carefully investigated. It is proposed under this plan to sell the stropper at \$3.69 on a cash-with-order or C. O. D. basis, with a "satisfaction after 30 days or money back" guaranty. This method also was entirely outside the range of experience of the company's executives. But, as before, it proved that mail order experts could be employed.

Under this plan, the initial capital would not need to be great for it would be necessary only to advertise in the journals and periodicals which experience pointed out as profitable mediums to get inquiries, or to buy mailing lists to which direct-mail material can be sent.

The buyers who patronize mail order houses are in general not the same as those who buy at the hardware stores. The introduction of the stropper thru this channel, therefore, would probably have no appreciable effect on the sale of Jones stroppers. Under this plan the marketing process is entirely under the control of the company. It can be handled by a comparatively inexpensive office force working under a few mail order experts.

Experience has shown, however, that mail order buyers, when dealing with an unknown company, do not like to send more than \$1 with their order, and do not like to pay more than \$3 on a C. O. D. basis. It has been found, also, that the cost of making a first sale to a mail order customer, for goods of this kind, ranges from \$2 to \$4. The cost of selling this particular line by mail is problematic, and can only be determined by experience, and the first order will have to stand the entire cost since there are no repeat orders.

Another consideration which cannot be ignored is the fact that mail order goods have a rather bad reputation in the eyes of dealers, and it will be somewhat more difficult to switch to the established hardware trade whenever that move seems desirable.

Taking all these facts into consideration, you, as sales manager, will be asked to help in reaching a decision on the plan to adopt in marketing the new stropper. Will you recommend Plan B, C, or D? The executive report which you will receive when we return your working papers will analyze all the factors involved and will give the experience of many companies who have solved similar problems.

